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ASSOCIATION OF UNIVERSITY AND COLLEGE BUSINESS OFFICERS

THE FIFTEENTH ANNUAL MEETING

UNIVERSITY OF ILLINOIS

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Held at
The University of Missouri
Columbia, Mo.
May 22-23
1925

ASSOCIATION OF
UNIVERSITY AND COLLEGE BUSINESS
OFFICERS

THE FIFTEENTH ANNUAL MEETING
HELD AT
THE UNIVERSITY OF MISSOURI
COLUMBIA, MO.

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M I N U T E S
OF THE
FIFTEENTH ANNUAL MEETING
OF THE
ASSOCIATION OF UNIVERSITY AND COLLEGE BUSINESS OFFICERS
HELD AT
THE UNIVERSITY OF MISSOURI
COLUMBIA, MISSOURI
May 22 and 23, 1925
- - - - -

The Annual Meeting of the Association was called to order by President Phillips at 9 o'clock A. M. at Room 113 Physics Buildings.

President Stratton D Brooks welcomed the members of the Association to the University of Missouri, and a response was given by President Phillips.

In welcoming the Association of University and College Business Officers to Missouri, President Stratton D Brooks called attention to the important phase the University administration and operation filled by the business officer. That the degree of success of any university or college president was often measurably affected by the personnel of the institution's business office, and the ability and integrity of the individuals composing its staff.

He briefly traced the development of higher education in the United States from the academy stage, with institutions of one or two buildings and meagre equipment

and perhaps a half dozen "professors" giving instruction hardly comparable to that now offered by a modern high school, to the present day college or university with its scores of buildings and extensive equipment; with its complicated organization of professional and technical schools and colleges centering about a College of Liberal Arts and Sciences and a faculty, numbered in the hundreds, giving instruction and training to thousands of students. How the development of the business side kept pace with this growth. Where formerly the president and his secretary attended to business details, even to the hiring of janitors, and purchase of supplies, the modern university, with its multiplicity of activities, requires the service of a corp of business executives and staff of technical men, each an expert in his line.

Referring to the relation of the institutional business office to instructional departments, Dr Brooks laid stress on the need of open mindedness on the part of business officers,- the ability to get the departmental viewpoint and to appreciate, in considering the many and varied demands of departmental heads, the underlying cause for such requests to keep in mind always the fundamental purpose of the institution--the instruction and training of students--and that it is not always possible to adhere, without deviation, to certain prescribed procedure or so called efficiency methods which might without question apply in the operation of a purely commercial enterprise. To cultivate the ability, when a negative answer is imperative, to say "No" with a smile, and to induce in the recipient of such an answer a state

of mind in full accord with the answer.

The most effective operation of the physical plant was urged by President Brooks. A satisfied and unified instructional staff; an industrious, contented student body, cannot be maintained if the several service features of the institution are inadequate or badly managed. Clean, orderly and well kept up buildings and grounds, proper temperature regulation and ventilation in rooms, adequate and well designed lighting, prompt and courteous response on the part of employees to the demands upon them--these and other phases of institutional service have an important bearing on an institution's success and have a marked effect upon the young men and women who benefit by such service both during their student days and in after life.

The roll call followed showing the following present:

<u>Name</u>	<u>Institution</u>	<u>Office</u>
T. C. Carlson	University of Arkansas	Business Manager
Willard W. Bartlett	Carleton College	Asst to President
R. G. Sproul	University of California	Vice President
F. L. Turby	Drake University	Auditor
Lloyd Morey	University of Illinois	Comptroller
H. B. Ingalls	" " "	Bursar
J.H.B. Martin	Indiana University	Asst Bursar
Robert E. Neff	" "	Admr. School of Medicine & Hospitals
W. H. Bates	State University of Iowa	Secretary
W. H. Cobb	" " " "	Auditor

<u>Name</u>	<u>Institution</u>	<u>Office</u>
Karl Klouz	University of Kansas	Chief Clerk
D. H. Peak	University of Kentucky	Business Agent
H. J. Harwick	Mayo Foundation	Manager
Shirley W. Smith	University of Michigan	Secretary
J. C. Christensen	" " "	Asst " & Purch Agt
Paul Buckloy	" " "	Asst Secy.
J. Schepers	Michigan State College	Treasurer
A. J. Lobb	University of Minnesota	Comptroller
E. E. Brown	University of Missouri	Bus. Mgr.
J. R. Jordan	" " "	Accountant
P. A. McCreery	" " "	Asst "
H. C. Baker	" " "	Asst Purch. Agt.
W. A. Kinsey	" " "	" Purchase & Stores
R. B. Saxon	University of Nebraska	Asst Purch. Agt.
L. F. White	" " "	Deputy Fin. Secy.
Chas A. Kuntz	Ohio State University	Comptroller
W. T. Middlebrook <	Purdue University	Controller
T. E. Blackwell, Jr.	Principia Jr. College <	Adm & Asst to Pres.
Lew T. Skinner	So Dakota State College	Adm & Asst to Pres
Thos Hull	University of Utah	Secy & Purch. Agent
J. D. Phillips	University of Wisconsin	Business Manager
M. E. McCaffrey	" " "	Secy of Regents
A. S. Johnson	" " "	Comptroller
E. O. Fuller	University of Wyoming	Fiscal Agent
Fay E. Smith	" " "	Secy. Brd of Trustees

The following members of the Eastern Association and visitors were present:

<u>Name</u>	<u>Institution</u>	<u>Office</u>
L. J. Chassee	Columbia University	Secy. Student Loan Bureau
Horace S Ford	Massachusetts Institute of Technology	Bursar
Frank M Phillips	Bureau of Education	Chief Dir. Statistics
George F. Sheers	Carnegie Institute	Auditor
C. H. Thurber	<u>Buffalo University</u>	<u>Executive Secy.</u>

President Phillips appointed the following
committees:

Resolutions Committee

A. J. Lobb	University of Minnesota
E. O. Fuller	University of Wyoming
M. E. McCaffrey	University of Wisconsin

Nominating Committee

Lloyd Morey	University of Illinois
W. T. Middlebrook	Purdue University
Chas. A. Kuntz	Ohio State University

Committee to confer with Dr. Frank Phillips, Chief of
the Statistical Division of the Bureau of Education:

J. C. Christensen	University of Michigan
E. E. Brown	University of Missouri
Shirley W. Smith	University of Michigan
Chas. A. Kuntz	Ohio State University
A. S. Johnson	Wisconsin, Univ. of
Albert J. Lobb	University of Minnesota
J. D. Phillips	University of Wisconsin
Robert G. Sproul	University of California
W. T. Middlebrook	Purdue University
W. H. Bates	State University of Iowa

Mr. H. S. Ford of the Massachusetts Institute of Technology and Secretary of the Association of University and College Business Officers of the Eastern States presented greetings from the Eastern Association and outlined briefly the student loan work being undertaken by that association.

He then introduced Mr. L. J. Chassee, Secretary of the Student Loan Bureau, Columbia University, who spoke on "Student Loans and How They Should be Administered." Sec. 1 p 14.

This was followed by a discussion by Mr. Middlebrook, Mr. Carlson, Mr. Scheers, Mr. Sproul, Mr. Bates, Mr. Lobb

and Mr. Hull.

It was moved by Mr. Morey and seconded by Shirley W. Smith that we co-operate with the Student Loan Bureau and the Eastern Association in furnishing information for this work.

A paper prepared by L. F. Seaton, Operating Superintendent of Nebraska was presented by R. B. Saxon, Assistant Purchasing Agent, University of Nebraska, on "Centralized Control of General Supplies." Sec. 2 p 24. The paper described in detail how Nebraska had utilized the space under their stadium for a modern service building.

Luncheon at University Cafeteria.

FRIDAY, P. M.

Shirley W. Smith, Secretary, University of Michigan, presented a paper on the "Building of a Budget." Sec. 3. p. 50.

Discussion followed by A. J. Lobb, Comptroller, University of Minnesota.

Mr. H. L. Halverson, Manager of Dormitories, University of Wisconsin, was unable to be present and his paper was presented by Mr. A. S. Johnson, Comptroller, University of Wisconsin, on "The Management of Dormitories." Sec. 5. p 64.

Discussion followed by H. B. Ingalls, Bursar, University of Illinois, Sec. 6 p 75. and J. C. Christensen,

Assistant Secretary, University of Michigan, Sec. 7 p 77

The special committee appointed to confer with Dr. Frank M. Phillips, Chief Division of Statistics, Bureau of Education recommended that a special committee be appointed to assist the Bureau of Education in preparing form of blank for reporting expenditures of Universities.

The Chair appointed as this committee:

Lloyd Morey, Chairman University of Illinois
J. C. Christensen, University of Michigan,
E. E. Brown, University of Missouri,
W. H. Bates, University of Iowa

Meeting adjourned at 3 o'clock, P. M. to meet at 6:30 for dinner at Daniel Boone Tavern.

EVENING SESSION

Carl E. Steeb, Business Manager, Ohio State University, was unable to be present at the meeting but his paper on "The Business Aspects of Athletics" was ably presented by Chas. A. Kuntz, Comptroller, Ohio State University. Sec 8. p 79.

Discussion followed by C. L. Brewer, Director of Athletics, University of Missouri and A. S. Johnson, Comptroller, University of Wisconsin. Sec. 9 p. 94.

Mr. R. G. Sproul, V. P., Comptroller and Secretary of the Board of Regents, University of California, gave a paper on "The Business Administration of a Branch University," Sec. 11 p. 98

Mr. C. H. Thurber, Executive Secretary, University

of Buffalo, spoke on "Sources of State Income used for State University Support." Sec. 10 p. 150

Adjournment until Saturday morning at 9 o'clock A. M.

SATURDAY A. M. SESSION

Meeting called to order at 9 A. M., Room 113, Physics Building.

The Committee on Instructional Cost Accounting reported as follows:

This Committee was formed two years ago with the following functions:

(a) Secure and maintain on file all possible information relating to this subject:

(b) Keep in close touch with all efforts along this line by institutions, and others;

(c) Be ready to provide information and suggestions to any institutions, particularly those represented in this Association, concerning this subject;

(d) Stand ready to make recommendations as to procedure in the event of any cooperative undertaking along this line.

Activities along the line of analysis of instructional expense which have come to the attention of the Committee during the past year are as follows:

1. The publication of a volume entitled, "Unit Costs of Higher Education" compiled by E. B. Stevens of the University of Washington for the Educational Finance Inquiry and distributed by the American Council of Education. This report discusses the subject of "Instructional Cost Accounting" at some length and gives figures compiled under a uniform plan showing unit costs at the University of Washington, the State College of Washington, the University of Oregon, Purdue University and certain smaller institutions. The plan followed is the one used at the University

of Washington which was largely devised by Mr. Stevens and with which all are, no doubt, familiar.

2. The publication of a Survey of the University of Pennsylvania including a report of Unit Expense of Instruction, compiled by Mr. W. O. Miller, Comptroller. A discussion of this report was presented by Mr. Miller at the annual meeting of the Eastern Association of Business Officers and appears in the Proceedings of that meeting.

3. As to institutions represented in this Association the following information has been received:

(a) The University of Chicago has made some studies in this field but has not published a report.

(b) The Universities of Nebraska and Kentucky are making some studies at the present time.

(c) A report of Purdue University appears in the Report of the Educational Finance Inquiry referred to above.

(d) The University of Illinois has continued the studies which it has carried on from time to time during the past ten years on the same general plan as previously followed and as reported to this Association in 1923. The principal figures from these studies are contained in the President's Report for 1923-24 which has been recently issued.

The Committee does not believe that this Association should concern itself about uniform procedure except and unless requested by our Presidents. Unless they jointly call on us to devise and carry out a uniform system of accounting along this line we do not feel that there is any occasion for active work on the matter by this Association. As individual officers, we should keep ourselves fully informed on the subject and familiar with any and all progress made in the field. The Committee has no occasion to alter the opinions expressed in previous reports, namely, that the possibilities of strictly comparable figures are very remote and that the values arising from studies in unit expense of instruction are likely to be greater for internal administrative purposes than for public or comparative purposes.

Respectfully submitted,

Lloyd Morey, Chairman
J. C. Christensen
W. H. Bates
A. J. Lobb
C. E. Steeb
N. C. Plimpton

By motion, the report was accepted and the committee continued.

Mr. Lloyd Morey, Comptroller, University of Illinois, presented a paper on "Analysis of University Expenditures." Sec. 12 p 113.

Discussions followed by W. T. Middlebrook, Comptroller, Purdue University, Sec 13 p. 130, and H. S. Ford, Bursar, Massachusetts Institute of Technology. Sec. 14 p. 138

Report by U. H. Smith, Bursar, Indiana University, on Tuitions and Fees was presented by Mr. J. B. H. Martin, Assistant Bursar, Indiana University. Sec 15, p 154.

Under Round Table Topics the question of import duty on equipment for educational use was discussed.

The Committee on Resolutions presented the following resolutions which were unanimously adopted:

WHEREAS, the Fifteenth Annual Meeting of the Association of College and Business Officers is about to adjourn:

BE IT RESOLVED: That this association express its appreciation of the hospitality of the University of Missouri and the personal interest shown by its President, Dr Stratton D. Brooks.

Be it further resolved; that this association is indebted to and under great obligation to Mr. E. E. Brown and his co-

workers at Columbia, for their courtesies and helpfulness in making this meeting a profitable and pleasant occasion. Be it further resolved; that this association has been strengthened and broadened by the interest and contributions of the Eastern Association of College and Business Officers and that the Secretary be requested to express our appreciation of our friendly relationship and our confidence that greater service may come to our various institutions by reason of the nation-wide contacts of the men in the two associations.

Be it further resolved; that this association sincerely appreciates the presence of Mr. Sproul, a worthy representative of a great commonwealth and Mr. Ford, of Massachusetts Institute of Technology, an Easterner with a sense of humor worthy of Mark Twain and to thank Mr. Sproul and Mr. Ford for their distinct contributions to this meeting.

Be it further resolved; that this association by a rising vote express its hearty approval of the long and efficient service of its esteemed secretary, Mr. Bates, and also the commendable record of the retiring President and other officers who have planned this program and who so efficiently conducted this annual meeting.

Respectfully submitted,

E. O. Fuller,
M. E. McCaffrey
A. J. Lobb.

Mr H. J. Harwick, Manager, Mayo Foundation, spoke on "Purposes of the Mayo Foundation."

Election of Officers:

The nominating committee reported the following, recommending that the executive committee be enlarged to five members:

President - E. E. Brown, University of Missouri

Vice-President - W. T. Middlebrook, Purdue University

Secretary-Treasurer - W. H. Bates, State University
of Iowa

Executive Committee - the above officers and

J. D. Phillips, University of
Wisconsin

Daniel Lawrence, University of
Cincinnati

The plans as announced for next year were for a joint meeting at Ohio State University at Columbus, Ohio.

Invitations for the 1927 meeting were received from the following:

University of Nebraska

University of Utah

University of Colorado

Meeting adjourned.

J. D. Phillips,
President

W. H. Bates,
Secretary-Treasurer

STUDENT LOANS
AND
HOW THEY SHOULD BE ADMINISTERED

By

L. J. Chassee

Secretary, Student Loan Information Bureau
Lecturer, in Banking, School of Business, Columbia University,
New York City

The subject of Student Loans and how they should be administered is a matter to which college officers are giving a great deal of attention at the present time. This subject was discussed at length at the annual meeting of the Association of University and College Business Officers of the Eastern States in December 1924 at Providence, Rhode Island. At this meeting Mr. W. E. Harmon of the Harmon Foundation was invited to speak on the subject of Student Loans. After telling of the study which the Harmon Foundation attempted, and showing that they found it was impossible to gather information that could be readily harmonized and give any definite picture of the subject so as to make for a speedy development, he said he felt that officers working within the college could handle the matter more rapidly and more efficiently and that the results would have a better effect on educators and people interested in assisting students. He stressed the following:

1. Present status of student aid funds
2. How the Harmon Foundation Fund is administered.

3. How such funds have come to play an important part in college and university finance.
4. Appeal for the establishment of a department within the Association so as to conduct an inquiry into the subject of student aid and to formulate standards of loan administration and the financing of such an inquiry.

The suggestion was approved and Mr. Harmon promised a substantial fund for the establishment of such a department. The Committee was appointed to carry out the idea:

Mr. G. C. Wintringer, Chairman
(Princeton University)

Mr. C. S. Danielson
(Columbia University)

Mr. L.E. Kimball
(New York University)

Under their direction the Student Loan Information Bureau was established on February 15, 1925 for the purpose of conducting an inquiry into the field of financial assistance to students.

The aim of the Bureau and the nature of the information which it seeks are published in the pamphlet which has been sent out to institutions and organizations interested in student aid, and which no doubt most of the members present have received.

The findings of the Bureau will be presented at the annual meeting of the Eastern Association next December. That these findings may be comprehensive and of greater service to those interested in the subject, we are eager to receive all the information on the matter which you may have to offer.

During the short period that the Bureau has been in operation, we have opened correspondence with a large number of institutions and organizations which have student loan funds to

administer. We have not as yet progressed sufficiently far to draw any definite conclusions. However, the replies received so far show us that student aid is administered in various ways. It is our aim to lift from the information collected all that is best and thus work out a comprehensive plan.

The subject of student loans divides itself into three parts. First, Why more attention should be given to loans; second, Present method of administration; third, How such loans should be administered.

1. Why more attention should be given to loans ----

It is evident that more attention should be given to the subject of student loans since under the present regime heavy losses have occurred which may be said to be due to poor administration. There has been no definite policy in the matter in the way of putting it on a business basis; making the student feel that it must be paid back at a definite time. There has been no collection system nor follow-up system so that money outstanding would be returned and thus made available for the use of a new group of students. The student has not been made to look upon the proposition as a business deal and this has encouraged the student to be careless in his financial relations with the college.

From the financial standpoint of the college the subject has been of growing importance since large amounts of money overdue, in the way of extension of fees, tuition, and outright loans have not been returned. This interferes seriously with the college budget and institutions are beginning to realize this since the amounts overdue are reaching increasingly large proportions.

Colleges and universities have three sources of income; endowments, appropriations, and fees and tuition from students. Endowments and appropriations are falling short of the growing needs of universities and colleges. Institutions must therefore look towards the student body for higher charges and a more prompt meeting of their obligations. Students have received an increasing share of their education free, since the cost of education to the student has not increased proportionately to the increase in individual income. Colleges cannot go on furnishing education far below cost and in addition give an indefinite extension on the payment of fees and furnish money in the form of loans unless the payment of such obligations can be counted on at a definite time in the future.

The right to a college education necessarily implies a duty to the college, as all rights carry with them a corresponding duty. Dr. Penniman of Pennsylvania made the statement in December 1922 that "it now appears that the right to a college education is being included with the right to life, liberty and the pursuit of happiness." This seems to be true, but although we have right to life, liberty, and the pursuit of happiness, it does not mean that this can be furnished to individuals free or even below cost. We must pay the price for this, and so should it be true of education, provided that the student is given a means by which he can pay for his own education. There are various ways in which this can be brought about. Some students now find it possible to earn all or part of their college expenses and at the same time carry a full program of studies. College courses could be arranged so as to be six years or some other convenient

period instead of four years so as to give the student more time for outside work. The question arises here, of course, whether the outside work could always be secured. Some colleges have found it advisable to pair off their students, having two students alternate in order to fill a full-time position and alternate in their courses at the same time. Dr. Angell of Yale recently made the statement that he wished that every student had to earn half of his expenses so that he would appreciate the value of an education. "It may be hard work and in some cases an undue strain -- earning a living and getting an education at the same time, but in the majority of institutions a real taste of economic necessity is a spur to study. The youth who must work his way thru college cannot afford to waste time joy-riding and jazzing around."

The other possibility, of course, is making funds available for the student to borrow. This too has its limitations, since no student should be encouraged to borrow more than he will be able to pay back nor should he be extended a loan if spending the proceeds of such a loan for an education is not a good investment. No bank will loan to a business concern unless such a loan will enable the organization to earn profits commensurable with the loan. So should it be with one investing in an education, keeping in mind of course, that the profits derived from an education cannot always be measured in money values. We are confronted here with the difficulty of measuring the value of an education. We can make a fair estimate of the value of an education to the average college man, but it is an extremely difficult task to find what it is worth to a specific individual and especially to make an estimate of this worth ahead of time. Some such measure, however, is necessary if

we are to have any form of guide as to the amount of money an individual should be advanced for a college education. Towards such an end it would be helpful to know how much money each graduate earns two years, three years, five years, and ten years after graduation in the different lines of work they generally take up. This would give us a basis to estimate the amount of money a student should be allowed to borrow and the terms of payment he should be given. Each college could make such a study for its own guidance since it may not seem advisable to give this information to a central organization.

From the standpoint of the student the present method of administering loans is at times quite detrimental. It causes him to form bad habits. An outright gift would be better than a loan poorly administered. He doesn't know always where a loan can be secured, nor does he know the difficulty which he may have in repaying it. He therefore often falls into the mistake of contracting a loan which he will find difficult to pay back. On the other hand, many deserving students have no contact and do not know of funds. If they knew they could budget far ahead and know the sources of help. Their whole college budget could be arranged before leaving for college, entering therein the amount of money they have available; a conservative estimate of what they may be able to earn and how much they could and should borrow. If the student could arrange for self-financing this would relieve the family of the burden of financing at the time that provisions should be made for the accumulation of funds for old age. A well administered revolving loan fund should assist the student in accomplishing these ends.

The question of revolving loan funds is in order here. It is not necessary to explain the advantages of the revolving fund over the restricted fund, for it is obviously much more efficient in the way of serving a larger number of students. Each college and university should strive to build up revolving loan funds and make an effort to have future funds left in that form. There is no reason why funds left to assist students should be invested in commercial and government securities when the student is as good a risk under a properly administered revolving fund. The revolving loan fund has found great favor in many institutions. Mr. Wintringer, Controller of Princeton University, speaking of the revolving fund idea in a recent letter to me said, "As I stated to you before, a fund of this kind makes a particular appeal to me personally and I have a feeling it should find favor with others. If an institution can demonstrate to a prospective donor that any money given for student aid will be administered in a very business-like manner and can be used over and over again, perhaps adding to the principal by collection of interest, this should make a very strong appeal. It will likewise relieve the budget of the institution of the inclusion in it of a certain sum of money each year to be used for this purpose." It should mean that more people will be encouraged to give money to assist students when they find it is administered on sound business principles. Funds of this nature could also be built up from returned scholarships and from different student groups, as the alumni, for instance.

It would seem the duty of the educational institution and organization interested in the student's welfare to see that students are not exploited in the way of loans. Some students

should not be granted loans because of the inability to pay them back. Nor should an unreasonable high rate of interest be charged. Trust Companies and Banks should not expect immediate profits on loans granted to students. The advertising which they get from those sources should be sufficient to cover the profit element, and the cost of administration should be sufficient for the service they give.

"Business today depends to a large degree upon the success of its advertising thru the medium of paid space and better still stupenduous development of the day's news. The best kind of advertising, many believe, is that where one person tells another." The Trust Company in the university community can handle the student loan funds and thus build up for themselves a future clientele which would bring their personal business as well as additional customers to the company. The First National Bank of Santa Barbara, California, is administering the Santa Barbara Educational Loan Fund and this bank finds it profitable to administer this fund at cost, not including in cost the element of profit.

The next concern is the interest rate. It is hard to determine what interest rates should be charged. Institutions at present charge all the way from nothing to 6% and 8% on loans past due. The Harmon Foundation, as most of you no doubt know, is administering a fund on a business basis with a group insurance scheme and charges 6%. Up to the present, this scheme has worked very satisfactorily but the question arises whether it would be wise to place all loan funds on such a basis. Should the interest be more than just enough to maintain the principal intact or should it be sufficient to maintain a safe margin or should the regular

commercial rate be charged allowing the interest to accrue into the principal? This is perhaps the most difficult question to answer, and one to which a great deal of attention will have to be given. I am not ready to take a definite stand.

Along with loans is the question of scholarships and fellowships and what part these should play in student aid. I do not wish to go into the details of administering such funds but there are certain guiding principles which we should follow. These are four in number.

1. Ability -- a student given a scholarship should have proven scholastic ability and he should be compelled to maintain that high standard while he is rated as a scholar or fellow.
2. Need -- no one who is able to finance himself should be given a scholarship or fellowship so long as there are those as able who need it.
3. Assistance -- It should be given for the performance of a specific task such as teaching, reading, assisting in college offices or giving research assistance to Professors whose salaries do not warrant their hiring such assistance.
4. Accomplishment -- To those who have sufficient funds to finance themselves and whose scholastic ability is worthy of recognition, can be given honorary scholarships and fellow ships.

The question now arises as to whether there is need for a central bureau. Some feel that there is. When Mr. Harmon gave the appropriation for the first year he was under the impression that the Bureau would be a permanent proposition, if successful this year, and that the Western Association would come in with the Eastern Association and make the Bureau or some other form of a department a National affair under the auspices of the two associations. The reasons for the existence of such a department or bureau

as I see them are:

1. To prepare pamphlets for interested donors showing the need for and value of loan funds.
2. To prepare pamphlets for use of loaning committees in institutions informing them from what sources outside their own institutions it is possible for their students to derive loans and on what terms.
3. To administer funds that donors may be interested in leaving for students in general rather than students of any particular institution. This would eliminate the item of profit which Trust Companies would be likely to include in the cost of administering such funds.
4. To act as a collecting agent for Collections now placed in the hands of professional collectors at high commission. Central agent could do this at cost without including in cost any profits.
5. To put on a campaign to have future student loan gifts left in a better form with the Trustees of colleges and universities to do as they see best as conditions arise.

CENTRALIZATION OF PHYSICAL PLANT ACTIVITIES
STORES & JOB SYSTEM

UNIVERSITY OF NEBRASKA.

BY

L. F. SEATON

OPERATING SUP'T.

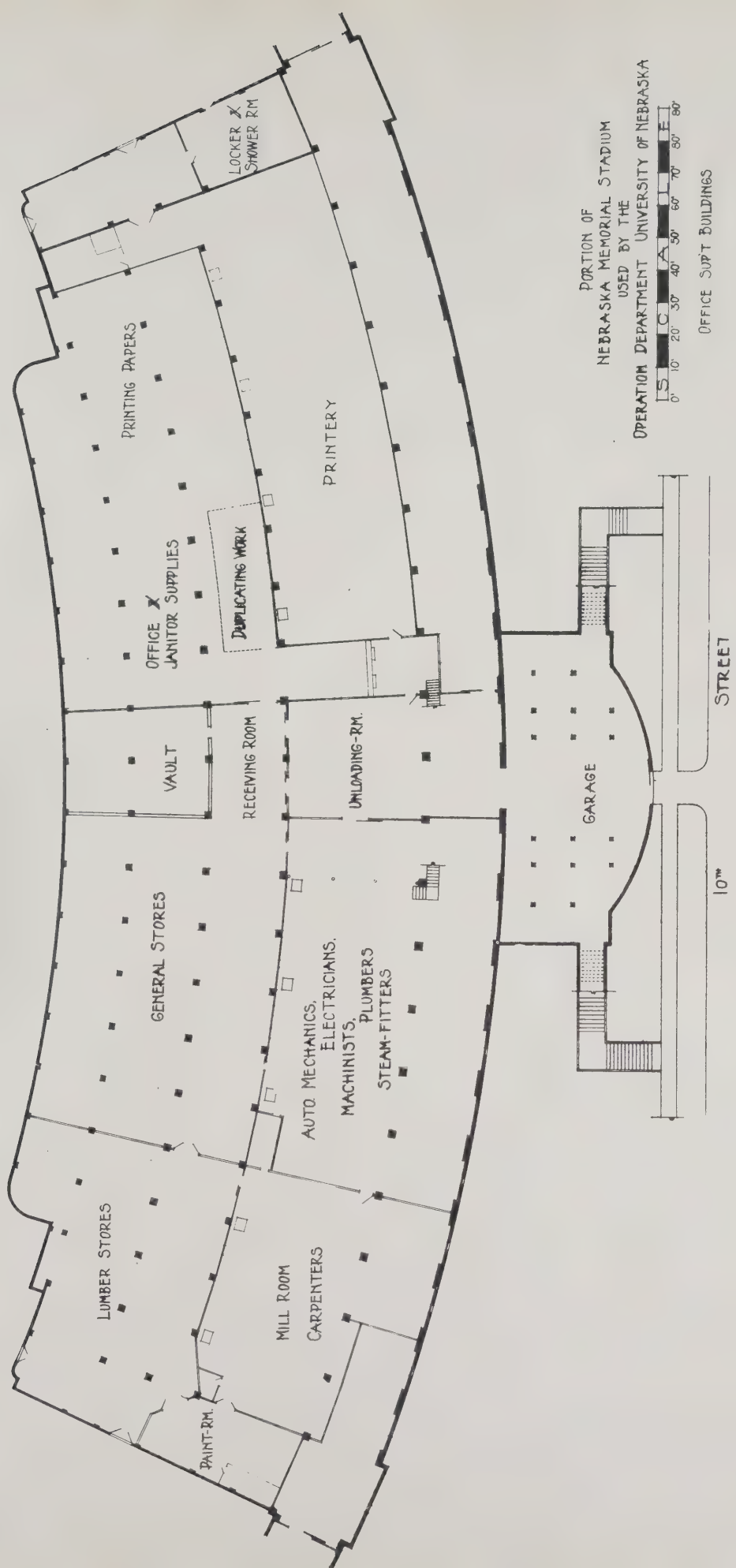
When asked to give a paper on Centralized Stores it occurred to me that it would be difficult to give such a paper on Stores alone, because of the way it is linked up with our Job System; therefore this paper was prepared with that idea in mind and is a Centralization of Stores and Job System.

To give an adequate idea of the present line up at the University of Nebraska I will say that we now have our main or general Stores together with our Job System shops located under the west wing of our new Stadium. This gives us about 35,000 square feet of floor space, or a space 80 feet by 450 feet with ample light and ventilation.



THE STADIUM FROM THE WEST

The lower opening near the center is the truck entrance to the Stores and Job System Department. This opening is 10 ft. wide and 11 ft. high. The upper open door is the entrance to the Office of Stores and Job System. The outer space showing the truck entrance furnishes storage for 12 trucks.

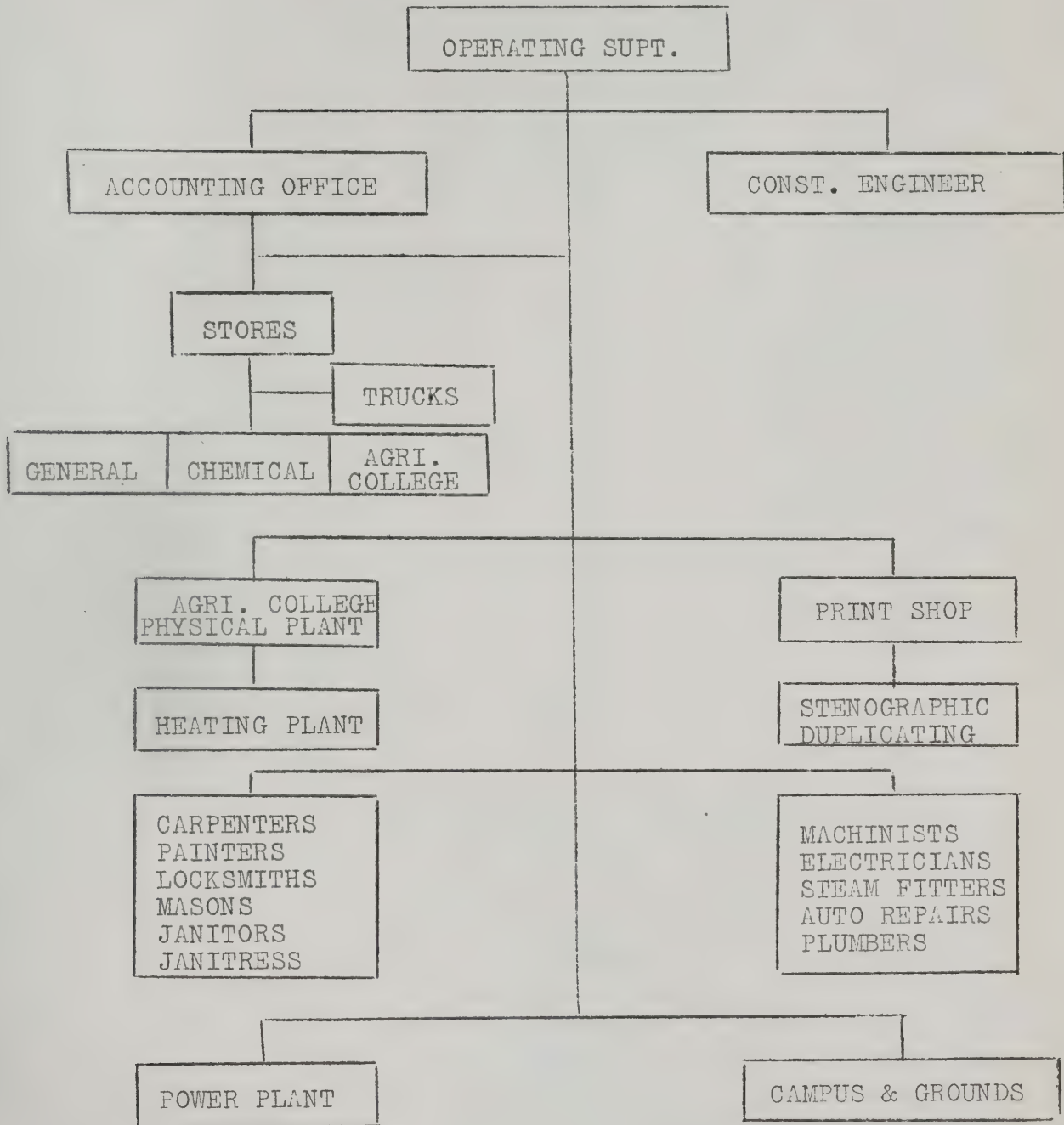


Floor plan showing the location of the Stores Department relative to the Shops. Everything is received at the receiving room and distributed to the stock bins. Note that each commodity is located in the Store room opposite the shop in which it is used.

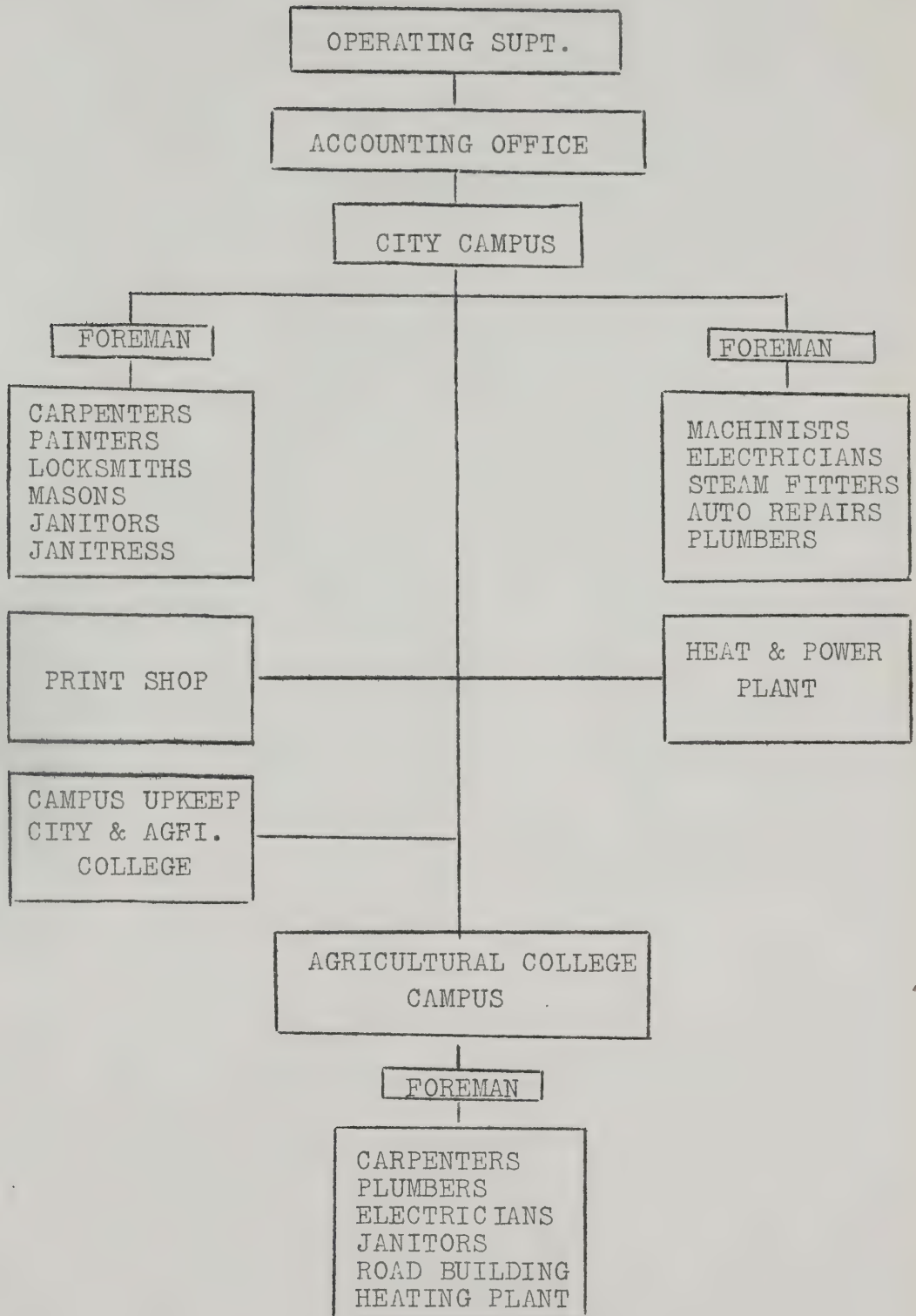
The relation between Stores and Job System is shown by the Physical Plant organization chart. Both Stores and Job System being controlled by the Operating Superintendent. You will also notice that the Power Plant and Campus Upkeep Department come under this organization. Also the Stenographic and Duplicating Department.

The Stores organization chart shows the general Stores organization. The trucks and transportation coming under this Department, also the receiving and checking of all out of town purchases for all Departments as well as Stores material. The Job System organization is also explained by a separate chart.

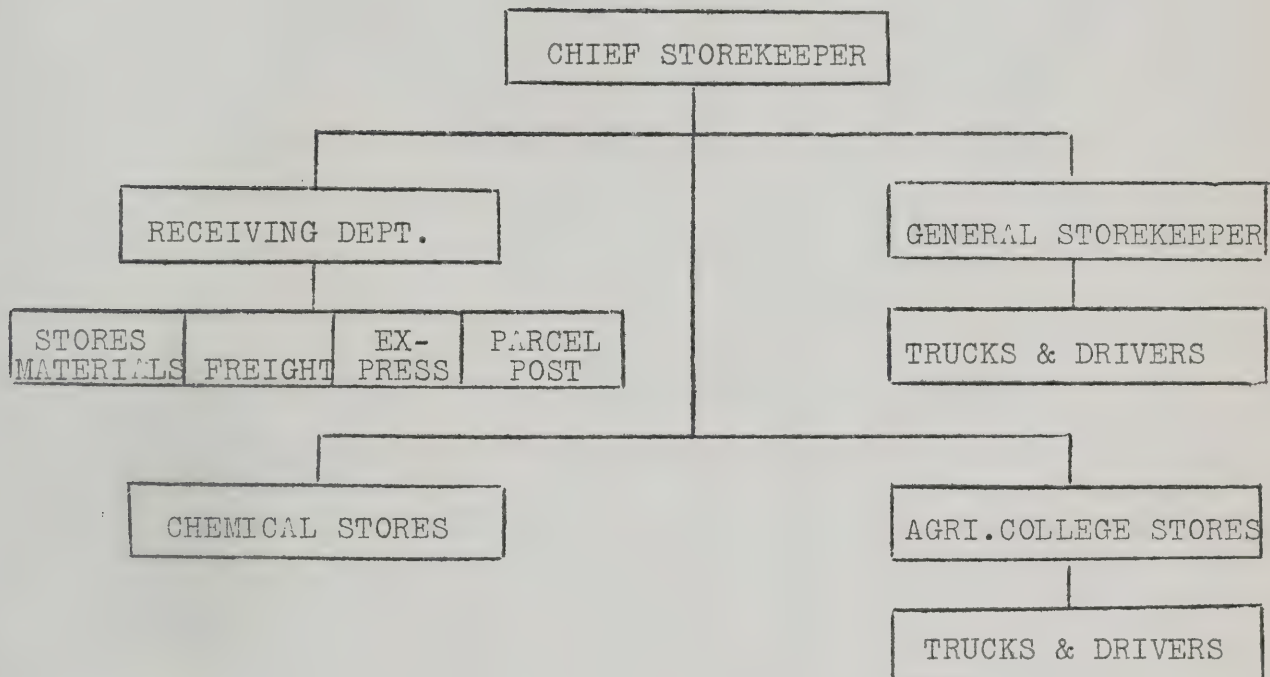
PHYSICAL PLANT ORGANIZATION



JOB SYSTEM ORGANIZATION



STORES ORGANIZATION



The organization of Stores at the University of Nebraska covers a period of four years. At the time it was decided to form the Department of Stores a survey was made in which various materials were found which were kept on hand for the Physical Plant. These materials were not available for any other department nor for the Physical Plant at the Agricultural College or sub-stations. For instance: in connection with the carpenter shop was kept a supply of hardware, lumber, paints, varnish, glass etc., for the Physical Plant at the city Campus only. These supplies were in charge of the foreman and bills were paid on his recommendation, there being no receiving or checking department. If some Department wanted a few boards or nails to build a crate or box, they went down town bought the material at retail and had the bill sent to the University. This same condition existed in the plumbing, steam, electrical, and chemical departments for all kinds and classes of materials. In other words, the University had, with no system or accounting, a number of scattered stores for the Physical Plant. The same thing was duplicated at the Agricultural College. These

various supplies were simply confiscated by Stores Department, classified and arranged in bins and shelves in locked rooms, and dispensed thereafter by a regular storekeeper. Then the requisitions on standard items were sent to the storeroom from the Purchasing Department and materials furnished from Stores for all Departments. Accounts were opened with the Finance Office (which is the general accounting office of the University) and funds were transferred from the various Departments receiving material to the Stores department. These funds were then spent by the Stores department to replace and build up the stock. Since the beginning a great many items have been added and the inventory increased as the service rendered demanded. Now practically all office supplies, hardware, lumber, paint, glass, electrical supplies, cleaning supplies, plumbing and steam supplies are furnished thru the general Stores department.

The chemical Stores is located in the Chemistry Building, where 75% of the materials are used. We now purchase acid in car lots which is a big saving in freight alone. Pyrex glass-

ware, filter paper, Coors porcelain, etc., are purchased in quantities giving the smaller departments as well as the Chemistry Department the advantage of large purchases.

It is believed that in order to successfully centralize Stores that it is necessary to give service, standardize on materials, have accurate accounting and centralized and controlled purchases.

is necessary to win the co-operation of
SERVICE the Faculty and executives of the various departments. Included in Service is actual saving or reduced cost of material which is accomplished by wholesale and quantity buying. Service also incorporates our Job System or Physical Plant shops as will be explained later. For instance, if the Chemistry Department desires a piece of apparatus repaired, a requisition to the Purchasing Department furnishes the materials and labor to do the job. Our mechanics, as well as supplies, are thus available to all departments of the University.

is the second big item; one
STANDARDIZATION brand of lead pencils, ink or paper, one make of auto tires, one line of plumb-ers brass or one style of office chairs helps

quantity buying.

ACCOUNTING Stock records are kept showing
the ordinary demand for each article
which gives the Purchasing Department a record
from which to make future purchases.

CENTRALIZED CONTROL By making all requisitions
OF REQUISITIONS go thru the Purchasing or
Stores Department quantity buying is made possible.
By having authority to compel all departments to
use standard items retail purchases are reduced.
No one, other than the Purchasing Department, has
authority, unless given in special cases by the
Purchasing Department, to make purchases.

Going back to service, the Stores Department have blanket orders or monthly accounts where materials needed in emergencies can be obtained by telephoning the order or sending a messenger after the material. In these cases the merchandise is generally obtained from some wholesale firm in which arrangements for that class of material have been previously made.

DELIVERIES AND All trucks belonging to the
INTER-DEPARTMENT University are controlled by
MAIL SERVICE the Stores Department. Another
item of service at a lowest possible cost. These
trucks vary in size from light Fords to three and

one-half ton trucks. Each truck does not have a regular driver but competent men from the storeroom or Physical Plant shops are used for this purpose. Two regular trips are made daily, on schedule, between the City and Agricultural College Campuses, a distance of four miles, carrying materials, mail, etc. For this service charges are made to departments as follows:

Weight Rates:

Freight from Depot to:

City Campus

\$0.25 for first 100 pounds or fraction thereof plus \$0.10 for each additional 100 pounds or fraction thereof.

Agricultural Campus

\$0.50 for first 100 pounds or fraction thereof plus \$0.15 for each additional 100 pounds or fraction thereof.

Hourly Rate:

3½ Ton Truck and driver	\$2.00 per hour
1½ Ton Truck and driver	\$1.50 per hour
1 Ton Truck and driver	\$1.25 per hour

Extra man on truck \$0.50 per hour per man.

In addition to doing all kinds of hauling, trucks are furnished to carry classes of students on local inspection trips or field work.

Inter-departmental mail and small packages are delivered by the janitors who are equipped with hand carts and who have to go to the Stores and Service building four times daily, as will be shown on organization charts and in Job System explanation. An example of service to Departments follows: The Home Economics Department, located on the Agricultural College Campus, desires a roll of wrapping paper (an item not carried in stock), a requisition is written at 11:00 A. M., picked up in the mail by the janitor at Agricultural College, brought down by the afternoon truck to the Stores Department, Purchase memo written, the paper picked up at the wholesale house (which gives us the same price on the total bought for the month as if the same quantity had been bought at one time), the next morning checked by the receiving department and taken to the Agricultural College and delivered on a signed ticket about 9:30 A. M. If this department should have needed the material sooner the order could have been phoned to the Stores Department at 11:00 A. M., picked up and checked in at the receiving department and delivered about 1:30 P. M.

Example of service, stock being on hand:
The Mathematics Department wants some examination paper, they telephone the order at 11:30 and the paper is delivered to them by the janitor at 1:15.

We have a central receiving department,
RECEIVING
DEPARTMENT ^{in which} as indicated on page 4 of this paper.
~~In the receiving department~~ a copy of every purchase order or purchase memorandum is kept on file. All Stores and Job System material (except Chemicals) are opened and checked, a receiving memorandum being sent to the accounting office which is matched with the invoice for payment. In case of Chemicals the same procedure is carried out except it is checked by the Chemical Storekeeper. Out of town purchases are all received here. They are not opened but are inspected for general condition and if damages are apparent the shipment is opened and claim made if necessary. A record of all shipments is made and a receipt is obtained upon delivery to the department. This department also furnishes service for out-going shipments where required.

The Job System

The Job System Department was organized at the same time as the Stores Department. It is made up of all Physical Plant employees, (as outlined in the organization chart.) Primarily it furnishes the labor to the Physical Plant while Stores furnishes the material.

All Job System employees, except foreman, are paid by the hour and their time accounted for by Job numbers. We have two classes of numbers, standing or permanent numbers and special numbers. The foremen are authorized to do regular work or minor repairs to buildings, etc., on standing numbers. Special Job numbers are furnished for Jobs of remodeling or extensive repairs, or where the charge is made back to the Departments. These special numbers are furnished by the Purchasing Department upon proper requisitions, approved by the Operating Superintendent. Three copies of Job orders are sent to the accounting office, one copy is filed numerically and the other alphabetically by Departments, the third being sent to the foreman to do the work.

Material is drawn from the storeroom as needed and charged to the Job number. In case special material is required and not carried in stores it may either be ordered by

the Stores Department or Purchased direct by the Job System. In case special services of some kind are required (as sheet metal work, sign painting or anything our shops cannot do) a purchase order is written covering this service and charged direct to the Job when the material is invoiced. When the Job is complete the foreman marks his copy "finished" and returns it to the accounting office. The Job is then vouchered at the end of the month. In case a service is furnished for a period of several months or a special Job which extends over a period of several months it is vouchered at the end of each month.

The following is a list of service
we render with our job system:

Printing of all kinds

Duplicating work

Automotive

Machine

Plumbing

Steam fitting

Electrical work

Motion picture

Projection lantern

Photographic service

Acetelene welding

Blacksmithing

Carpenter work

Cabinet making

Painting

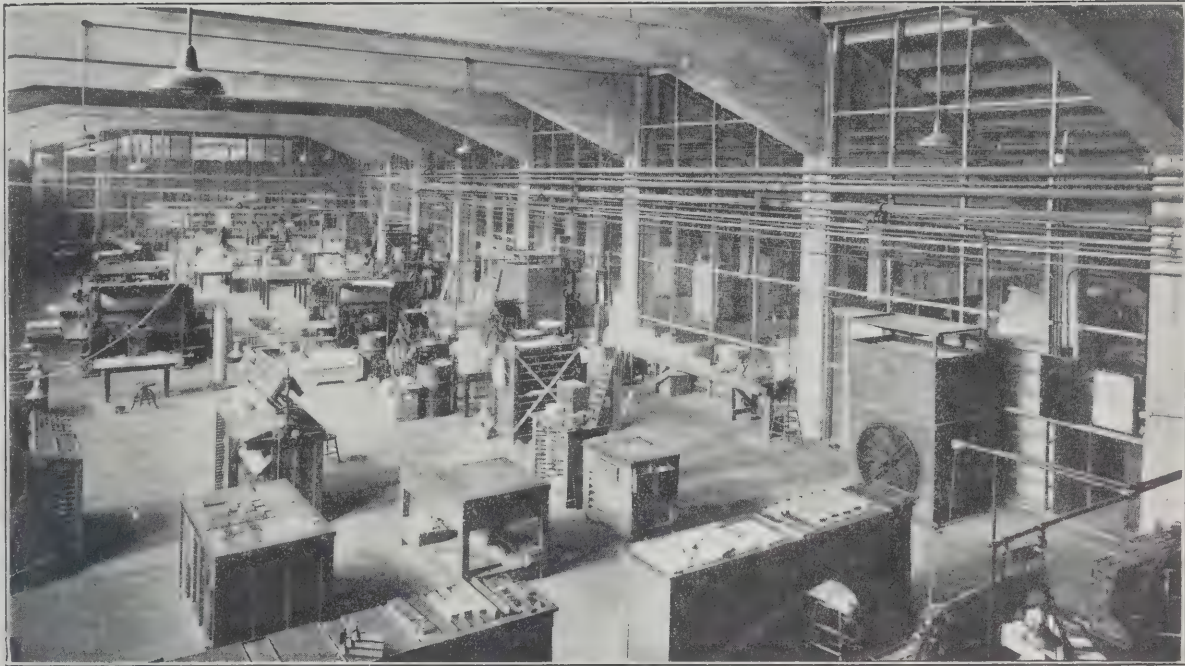
Furniture finishing

Locks and keys

Clock repairing

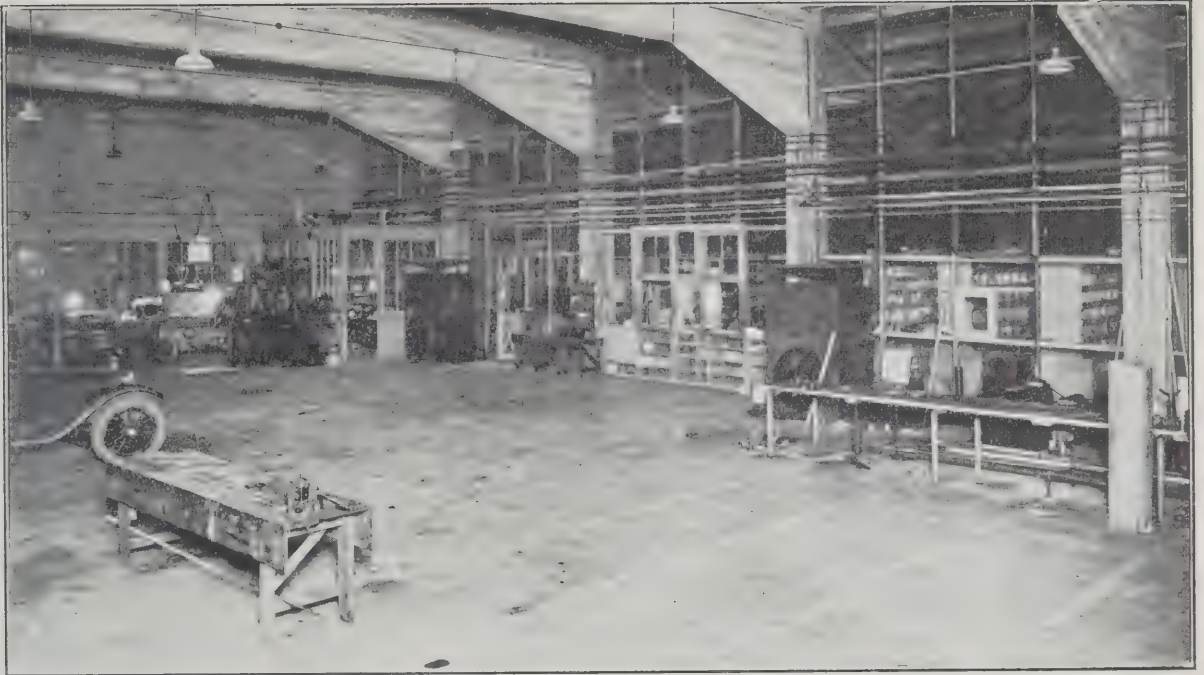
Window shades

Window curtains

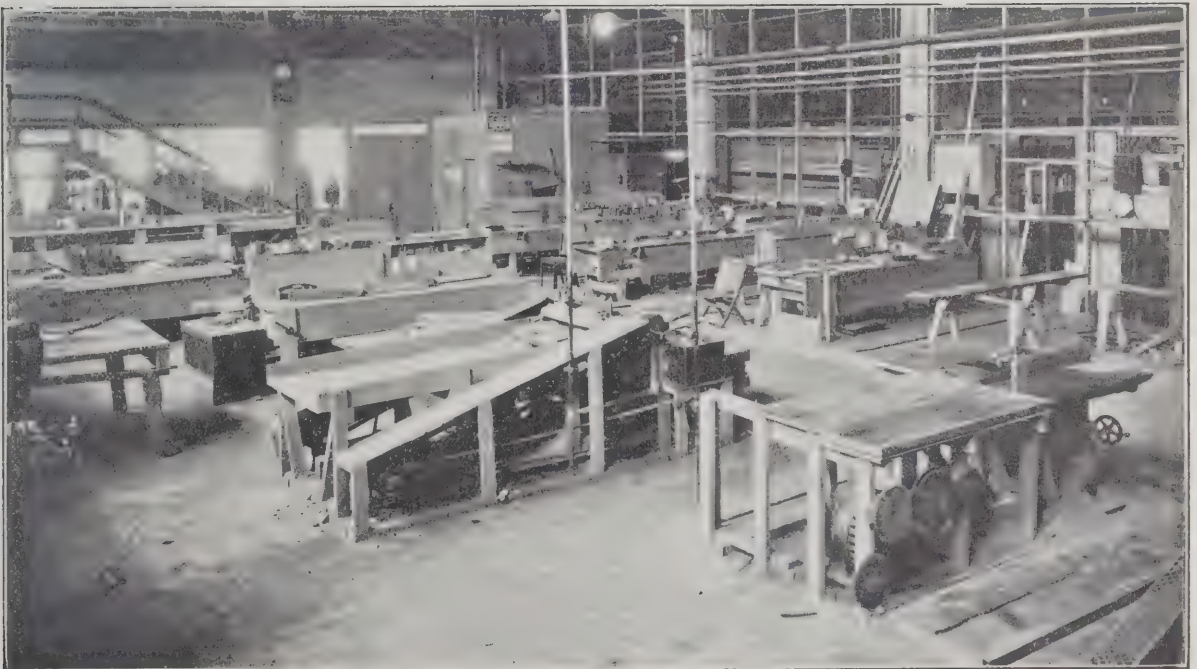


THE UNIVERSITY PRINTING PLANT

All University printing including the college paper, University bulletins, etc., are printed in our plant. We have standardized on paper and practically all purchases are made in lots of one to five tons. Shipment being made from the mills through the local jobbers.



SERVICE SHOP



MILL ROOM



THE ACCOUNTING OFFICE

Located on a balcony or floor above the truck space and receiving room. The time clock is located in the lobby and the interdepartmental mail boxes open into the lobby. Being above the floor level of the shops messages are carried to the Foreman and Stores Department on inclined wires by small conveyers. This expidites messages, saves steps and transmits messages in writing which is much more satisfactory than telephone communication.

The accounting office consists of the following personnel:

Manager

Bookkeeper

Assistant Bookkeeper

Secretary

Invoice and payroll clerk

Price clerk

Stencil cutter and typist

Material is withdrawn from the Stores in two general ways, first by Departments, second by Jobs. A Department may either mail their requisitions to the Purchasing Department or accounting office or present it at the Store-room. In case it is mailed to the Purchasing Department, a Stores order is written in triplicate, two copies being sent to the accounting office. One copy is sent to the Storeroom and the other filed for follow up purposes.

The Storekeeper fills the order and places it in the box for the Janitor or in case of heavy material delivers it by truck. If the requisition (which is covered by a blanket stores order) had been mailed to the accounting office instead of the Purchasing Department, a Stores

JOB ORDERS Job orders as mentioned before are of two classes, standing or building and special orders. The standing orders cover minor repairs to buildings, labor and material for janitor work, grounds and power plant operation and maintenance. These accounts are vouchered each month. From these standing numbers we get our costs of building operation and maintenance, costs of Campus Upkeep and Power Plant, or all expenditures of the Physical Plant. Special Job orders are written upon authorized requisitions for any Department and cover all classes of work.

PAYROLL AND
TIME CLOCK All employees are paid on an hourly basis, their time being kept by recording time clocks. Each employee is allotted a certain number of hours per day and in case extra time is put in his foreman is required to sign an over-time slip. Payrolls are made up from his clock cards and checked with his daily time card.

BOOKKEEPING MACHINE As stated before, each Job or Stores account is posted on the bookkeeping machine. In case of Jobs, it is time and material, in case of Stores, material or service. We are making at present between 800 and

1000 entries each day. The bookkeeping machine sheets are in triplicate, one copy being retained by the accounting office, one sent to the department and the third going to the Finance Office where it is used as a voucher.

Agricultural College

The Physical Plant Stores and Job System at the Agricultural College is under the City Campus organization. We have a small shop and storeroom which are branches of the City Plant. All supplies for the Agricultural College storeroom are supplied from the City Storeroom. All accounting and records are kept in the accounting office. A truck is maintained in connection with the storeroom for service at the Agricultural College. At the present time it is planned to build a service building, grain elevator and feed storage at the Agricultural College. This will give the Purchasing Department an opportunity to buy and store feed when the markets are best, also make it possible to buy all feed in carload lots. Grinding equipment will be installed and cracked corn mixed feeds etc., will be available for all departments.

In conclusion I believe that the secret of success of a centralized Stores is service rendered, standardization of supplies (to keep down inventory and have material on hand) and quantity buying, a simple, efficient accounting system, and control of all purchases for the University.

Section 2.

THE MAKING OF A UNIVERSITY BUDGET²¹

(Read before a Meeting of the Association of University and College Business Officers, held at Columbia, Missouri, May 22 and 23, 1925, by Shirley W. Smith, Secretary of the University of Michigan.)

While much has been written about budgeting in general, there are in print, so far as I know, comparatively few discussions of the college or university budget in particular. No one writes now days on the subject of college and university finance without a more or less extended mention of "the budget." I believe, however, that no serious and complete study of university and college budget-making and of the principles which govern such budgeting has as yet been made.*

It is not the purpose of the present paper to fill this void. If I can make a few general suggestions or individual observations, any one of which shall prove to be of value or interest to any one in university administration, I shall be well satisfied.

The term budget comes from an old word meaning pouch or wallet or pocket-book. If we remember that a pocketbook is affected by two items, namely, both by what goes into it and by what goes out of it, we shall have one very important principle which is frequently lost sight of by persons concerned in the making or the administration of the modern budget.

* The best approach to completeness of which I know is the Doctor's Thesis (published in condensed form in 1921 by the University of Chicago) of Julian Ashby Burruss, President of the Virginia Agricultural and Mechanical College and Polytechnic Institute.

The primary purpose of a university budget, when all is said and done, is properly to relate income and expenditures to each other. This fact means that the budget and the accounting system by which the budget is made operative must be designed with relation to each other. "A working budget" is only partly done when it is adopted by the Board of Trustees and handed over to the university staff for its guidance during the year to come. It is a budget, but it has not begun to work yet. In order to work in accordance with its design, continued cooperation and oversight are required, and these can only be given through an accounting system which, with the budget as adopted, makes a real working budget.

There are three phases of the budget after it has been adopted and is in the ordinary sense said to be complete. It exists first as a forecast; it then becomes a moving picture; and finally, in the accounting system, it is a retrospect. This retrospect becomes in turn a principal guide in making up the next forecast. A series of budgets are as clearly one as a family in each of its succeeding generations. Every proper budget as adopted, and every year's accounting record, reproduce characteristics inherited from their progenitors. There is almost literally a biological relationship between budget and accounting system, accounting system and budget-making.

Ordinarily in practice the opening question in making a budget is, What will the income be? Income, it is true, tends to be governed by needs. If you are asked to meet larger expenses, either by your university or by your family, you try to get the money, and generally you get more, if not all desired.

But in either case a time comes when you cannot get any more money, and thereafter income is the governor and expenditures must conform to it.

Every year and throughout those vistas of years down which university Presidents and Boards of Trustees endeavor to peer with far-seeing eyes, consideration should be given to the needs of the institution and income should be sought accordingly. But when the moment has arrived for beginning the making of the budget for the succeeding year, then conservative estimates of income will be made and on this total income the budget will be based. Needs which crowd into a budget beyond the amount of the funds to be available are no more than cuckoos. If items believed comparable in importance to those matters of sickness or death which sometimes justify a family in exceeding its income, can justify university Presidents and Trustees in going open-eyed into a deficit, then the same devoted efforts that any self-respecting individual makes to bring his income up to his expenditures must be made by all concerned. Failing to do this they must expect, and they deserve, the same disapproval that comes to the individual who has so managed that he cannot pay his debts.

To any one who has participated in university budget-making through the past ten years, the suggestion of the possibility of meeting all needs of the institution sounds fanciful. Evaluation of needs and their tabulation in relative importance must be one of the many duties of the President, with such counsel as he may invite from Deans and others. He is the expert to whom the Board of Trustees and the people of his State or community look for guidance. They entrust him with this responsibility and he cannot escape it.

His burden is tremendous. In carrying it, he may be helped greatly by data from the business office, and from the registrar's office where this is separated. Decisions based on "general principles," without the pertinent facts recorded and interpreted, not infrequently eventuate in results painfully at odds with the general principles. From the accounting system if from any source he must get many of the facts he needs. "Bloodless tabulations" cannot be his only guide, but these general records of the university will give one kind of broad view which he will not secure from any other source, and they will be helpful as solvents or precipitants for much of the advice that will come to him, from very important university officials whose offices by their very nature tend to make special pleaders of them.

The President's judgments of men and policies, and the responsibilities involved therein, must be his and his alone, and will hardly be based solely on "data". But experience, as recorded, will enter largely into his considerations of what is desirable and feasible for that future by which he will ultimately be judged.

We will assume that the President has in his mind a fair mental tabulation of the needs of his institution grouped with reference to their importance. Now suppose that we have arrived also at the point where the income for the coming year is known as definitely as it ever will be in advance. From this time on income will control the total of the budget for the coming year and the only questions will be those of adjustments within this total. Many needs will cease to be absolute and become only relative. What shall be the system of making the

budget?

Other things being somewhere nearly equal that system will work best which, first, is best understood, and which, secondly clearly reveals to the most people an honest, intelligent, and reasonably successful effort to do justice and to love mercy. Generally when number one of the above is secured number two will follow for the obvious reason that it may be taken as always the intention of Trustees and of Presidents to be just and sympathetic. Moreover, in seeking to have their work understood they will themselves get a better understanding and make a closer approach to justice.

My observation has been that nothing helps toward a good understanding of the good intent of budget-makers more than the realization by all interests that they have or may have their "day in court." Obviously in a faculty of several hundred and a staff of several hundred more each cannot be heard individually by the ultimate authorities, but through departmental consultations, through conferences with their immediate superiors, and through a final painstaking, unhurried, general hearing participated in by the Presidents and Trustees or a committee of the Trustees, the Deans, and other responsible general officers, a fair picture of the whole situation will stand forth, in perspective.

Under this plan, in the general hearing, there will be first a presentation to the group, of the estimated income for the coming year in comparison with the income and expenditures of the current year. The next step should be to reserve as a working balance or contingent fund or as savings for future years

such sum as experience and the present situation convince the Trustees to be necessary. It will be clear that the total outlay to be provided in the budget must not exceed the difference between the income and the contingent fund. Then each officer will present orally or in writing, or both, the needs of that portion of the university which he represents. Thus every interest that desires to enter into the budget will be presented, and each will be currently tabulated if it has not been possible tentatively to tabulate them all before the meeting, which is preferable. This total will then represent the needs of the institution for the coming year and each of these needs will have been presented to and discussed with the authorities who have the ultimate decision. This discussion will presumably have taken place in the presence of all concerned, to the general advantage of mutual understanding. Confidential matters, if any, must of course be confidentially considered.

Following this general hearing the President, Regents, and business officer, or such group as the authorities may determine, in a succeeding session will consider final allocation of lump sums to each division. Each Dean or similar divisional head will be notified of his allocated total and requested to distribute its details. If he is to be held responsible for the administration of his division, he can make this distribution with an attainment of much more general good than any Board of Trustees or general officer can do it. Moreover, if the responsibility for results is to be his it is unfair not to allow him to use his own methods.

Each such official will as promptly as possible there-

after make up on the prescribed forms, lists of the individual salaries and allowances for current supplies and equipment which will total the lump sum allocated to him. These tabulations, turned in to the President's office or the business office, will be presented to the Trustees at as early a meeting as possible for final scanning, readjustments, or changes, if any (there will presumably be exceedingly few) and final adoption. The President will doubtless go over this detailed budget before it is actually presented to the Trustees in order that any possible question may be taken up and settled. Reconciliations of inequities between similar cases in different divisions will be the most likely matter to need further discussion. This final tabulation when adopted by the Trustees will be the determined budget for the ensuing year; it will be the advance picture of the university's life for that period.

As the budget for a succeeding year ought to be made up if possible six months before the year begins, in order that plans may be made, contracts concluded, and necessary announcements made, it is highly desirable that income for the succeeding year be known comparatively early. Whatever may be said for the advantage or the necessity (and particularly for the latter considerable can be said) of going to the Legislature for biennial appropriations, the necessity for postponing budget action every other year until after the legislative session is a serious handicap to efficiency. I sympathize heartily with the conclusion in respect to income in a study by Professor Richard D. Price, of the University of Minnesota, published in 1923 as one of the Harvard Bulletins in Education, as follows: "Without any doubt, experience has shown that the best form of state tax is a mill

tax, which may be counted on from year to year and over a long period of years, and which may be expected to increase as the state assessed valuation advances. The advantage of this system over a system of annual or biennial appropriations is obvious. Especially is this true when the mill tax may be supplemented from time to time, as the need arises, by special appropriations for buildings or other emergency purposes."

While full publicity concerning university expenditures is due to the people of the State through proper channels, there can be no question, I believe, that the tying up of the details of university budget-making with the details of State budget-making proves unfortunate for the university involved and therefore unfortunate for the people who are paying their money with the purpose of having a first-class university. No university would thus involve its financial details with those of the State as a whole, except under the compulsion which so frequently requires it.

I have said nothing about forms or blanks for budget-making. These are necessary but like all other ritualism they are not what gives life. Those blanks are best which best picture the developing life of the university. In general a budget blank should be so designed as to draw out a record for at least the past year (I know of some which present a five-year record) of the salary roll, maintenance expenses, and equipment purchases of the administrative division involved. The salary roll should be in detail, with names, titles, promotions or advances in salary for the period recorded. These records are all helpful in considering the second division of the budget sheet, namely, the recommendations for the new year. These can be easily designed,

as witnessed by numerous institutions, to provide for the record of the past, for the opinions of each of the various authorities who may in turn have to pass upon the requests, for the final determination, and for record of any additions (which should be few) and any changes within the total (which may be numerous) during the coming budget year. It is obvious that the blank must show at a glance the amount of increase involved in each case, and the total of increases. Under the workings of the law of supply and demand a blank to show expected decreases has not yet been devised.

Any well-designed budget blank will contain ample provision for special comments or recommendations by the departmental heads, Deans, or others. And here the personal element enters large. Each of us knows that in such comments and recommendations, the little fingers of some men carry more weight than other much more imposing bulks. Character, as certainly as water, gets to its own level. We all know many men to whom our Presidents and Regents turn with confidence. And we know, too, how much nearer the perfection of justice an annual budget would come without those men who ask for twice what they hope to get, who shirk responsibility within their own sphere by "putting everything up to the president," who lack sympathy with other fields of the university than their own, whose own swans and geese and ducks and drakes are alike all swans, and who cannot distinguish the feasible from the ideal. It was of the recommendations of a man with some of these weaknesses that I once heard a Trustee say as he left a meeting and gave his proxy to a colleague: "Vote no on every third item." He felt almost as helpless as humorous.

Methods are being tried in some universities by which it is sought to apply tangible, ponderable measurements to uni-

versity efficiency. There is such a word as efficiency, with proper use, in spite of the disfavor into which crimes committed in its name have brought it. We are all familiar with the "student-clock-hour" perhaps the best known of the proposed units of measure. It or its similar has been urged in innumerable quarters. It is established by law for all institutions of learning in the State of Washington. The Educational Finance Inquiry, published this year by Macmillan, for the American Council on Education, is a four-pound cudgel which leaves my modestly opposing head bloody but unbowed. I still listen for a satisfying answer to my question which this publication does me the honor to quote: "What good results of an actual, direct, practical nature are derived, as shown by experience, from the tabulations?"

If it be true as we believe that the things of the spirit are inestimably our most precious possessions, then a method which sets up a false standard of values in the spiritual life of our universities is potentially a first-class burglar's kit. For example, "Ventilation of the Schoolroom" may be a most estimable and useful three-hour course, but I doubt its power to expand or purify the soul. Furthermore, solemn tabulations by which for any purpose the things of the spirit and the things of the body, the wonders of nature and those of millinery, astronomy's scheme of the Universe and plumbing layouts, systems of philosophy and systems for selling real estate are all required to step on the same weight scale, and back up to the same height scale, make one wonder whether some school rooms have been worth while ventilating. It might have been better to let suffocation do its perfect work with all hands.

What are we going to offer in place of this kind of tests by which, unless we do offer something better, more reasonable, the public is going to try to measure us? For whether or not we may like the fact the public is more and more demanding to know what is actually done with the vastly increasing sums of money voted for higher education. Think what even a 5 percent annual increase in costs, beginning with present appropriations, will amount to within the course of a few more bienniums! Yet surveys, inquiries, tax payers' associations, bureaus of government, commissions, councils, foundations, chambers of commerce, are already all investigating, -- and they are all publishing. Their questions are not going to decrease in numbers or in searching quality. Moreover, the vast university graduating classes are yearly infiltrating the public with men and women to whom the inside of a university is not the holy mystery it has been, and is yet, to many well-disposed persons in powerful places. Not so much, perhaps, will be taken for granted in the future. The university say-so may not meet so much acquiescence. The tidal wave of public expenditure for schools may ebb. (And all these caution signals apply in some degree to endowed universities as well as to those state supported.) If then the public wants to know that its money is going as far as justly possible to expect and if the "student-clock-hour" tables will not answer this question because these tables have no true significance, what is the answer? I confess my answer is far from being as tangible as "student-clock-hour" tables. To some it will doubtless seem no answer at all. But to my mind it comes far closer to spiritual facts, which are the real facts, than the proposed clock-hour or credit-hour, or similar

mechanics can ever come.

The true answer to the public demand for information will develop only out of the possession, perhaps a growing possession, on the part of university faculties and officials of a broad-mindedness which recognizes the possibility of truth in fields unfamiliar or unprepossessing, and which is willing to consider with open mind and without the prejudices due to personalities, the propriety of sowing and the presumption of harvesting in these fields. The answer will come also from a complementary willingness to consider the right to continued existence of offices, methods, courses, or practices -- even our own -- which under changing conditions may possibly no longer earn their share in university funds.

It has sometimes seemed to me that once an item gets into the budget its tenure thereafter is almost as insurable as that of the North Star. Yet no great industrial organization has prospered in the years since the war that has not had a thorough combing for economies and improvements. Nothing escapes the question mark when it is necessary to find the leaks or sink the ship. These self-surveys of industrial plants have been made by men who thoroughly understood the problems and who have known the difference between a mere withholding of money and a true economy. Irreparable damage would be done by such powers in the hands of incompetents; but renewed strength and vigorous growth have come from the work of men who knew the business, who were loyal to it as a whole, and who were in earnest in intent to serve it.

Irreparable damage has been done to universities which have been victims of readjustments and surgical operations at

the hands of ignorance; there can be no reason to doubt that such effects will always follow such a cause. The protection against such danger, I believe lies only in honest, straightforward co-operation by all parts of a university for the advantage of the university as a whole. A professor of philosophy or of pathology, a Dean of Law or a Dean of Medicine, a librarian or a superintendent of grounds, a business officer or a hospital superintendent, a research worker or a registrar, are after all each a part of one organization which suffers whenever one part wars with another. We need to be united. We all need respect for one another's work; we need to avoid the state of mind in which we would deny to any man within or without the university the right to have ideals on the one hand and the right on the other hand to common sense.

What has all this to do with budget-making? Simply that, as stated in the beginning, the budget is dependent on income, and the roots of income are inseparably entangled with principles which I have suggested above. I repeat yet again: there can be no doubt that expenses of higher education will be even more vigorously questioned before many years. We cannot answer these questions successfully by any general mechanical scheme, and we cannot answer them at all if in our secret minds there is a well-grounded suspicion that in other departments of the university than ours, money is being wasted,-- and if we further know that among our associates are those who are suspicious of us and our net profitableness.

We university men can meet these issues successfully as they arise if we can stand firmly on a platform of confidence that through mutual good faith, through tolerant, candid inquiry

and discussion, in a spirit of loyalty to the university as a whole and to the state which supports us, our university is what it claims to be. I don't believe we need more machinery; I believe that we need, comparatively, more of the manhood that is the original source of social power. I think we need more of that something - by whatever name - that will give us the inner certainty that, with all modesty, we deserve more of the kind things sometimes said about our devoted ^{and} superior selves as university communities. We need events that will relieve us from any disturbing knowledge of small quids of results for large quos of expenditures. Actually meet all these needs, and our universities will be unassailable. And throughout these statements of what we need, I don't mean we as business officers; I mean we as university men, Trustees, Presidents, teachers, administrators, clerks, all of us.

If by internal strife and distrust we invite suspicion from outside, if our public is left in just doubt as to our needs because we disagree partially upon them among ourselves, then I cannot doubt that much less skillful hands than many of those at our service now, will lay hold of the situation and will attempt to resolve it for us, either by the "student-clock-hour" cost method or some similar incompetence, or by the main-strength of withholding the income without which living budgets cannot be made.

The basic requisites of a true budget that first forecasts and then embodies the ample life of a vigorous, healthy university are, in the long run, facts and loyalty. In so far as either requisite is wanting the best schemes are going to fail to work before the end of the long run is reached.

THE MANAGEMENT
of
DORMITORIES & COMMONS

By

Donald L. Halverson

Director of Dormitories and Commons

University of Wisconsin

May 1925

The question of college dormitories and their management has become a matter of increasing importance. Obviously the greatest difficulties arise in the larger universities. A generation ago, before co-education became general, dormitory life was a definite part of college life, and it was not at all uncommon to find all the students housed on the campus. There were few fraternities and sororities, and being in college usually included living in a dormitory. In those early days the percentage of young people going on to college was not great. With the increase of co-education, however, and the almost mushroom growth of institutions of learning, especially since the war, dormitory life has often proved unpopular: in many cases board was mediocre, if not actually inadequate, rooms poorly cared for, and social advantages few. Nor is this condition surprising, for colleges were becoming over-crowded, and every attention was necessarily directed to providing classrooms.

During the past few years there has been an added demand

for dormitories because of the greater number enrolled in colleges and universities because of the often prohibitive price of room and board in private homes and in social groups, and also because of the fact that many parents feel far greater security in institutional supervision than in that of the commercial or social lodging house.

To meet these exigencies several universities, including the University of Wisconsin, have at the present time a definite dormitory building plan. We believe one of the finest services to the American youth during college days is to be found in providing wholesome food and attractive living conditions at a moderate price. We believe it is possible to do this and at the same time produce a reasonable profit. To this end the University of Wisconsin is now perfecting plans which, when carried to completion, will add to the facilities for about 300 young women in our present dormitories similar provision for 500 men and eventually double or treble the latter number. We are confident that as time goes on there will be a steadily increasing demand for dormitories, and that we shall have no difficulty in meeting the competition of rooming and boarding houses.

Before going into detail regarding the management of our units and our cost accounting system, it will be well to look into the general organization of the department. The Department of Dormitories & Commons operates on one of the larger University revolving funds, no moneys at all being received directly by appropriation from the state legislature to cover the items of operation, maintenance and capital.

The receipts consist of cash received from room, board, laundry service performed for the dormitories and outside departments, catering, and from the University cafeteria. All cash received from these units is turned over to the University Bursar who credits the amount to the Dormitories & Commons revolving fund. The Bursar in turn deposits this money together with other receipts with the State Treasurer each week.

In the spring of each year a budget is prepared estimating the receipts and disbursements for the year, and dividing the estimated disbursements into operation, maintenance and capital items. Operation consists of such items as subsistence, salaries and wages, general supplies, heat, water, light and power; capital items are furniture, books, and machinery and tools; maintenance items consist of building repairs.

The accounting of the department is handled in conformity with the accounting of other University departments. All bills issued by the department for service performed are payable to the Bursar. Disbursements are all made through the office of the University Accountant, who uses as his basis for payment vouchers certified to be correct by the Director of Dormitories & Commons. Salaries and wages are entered on a certified payroll of standard form which is given the University Accountant. After the payroll has been compared with the department budget by the Accountant and properly copied by his department, a voucher is made on the State Treasurer who then issues individual checks to the several employees. The

Business Manager's office charges all payroll items and other items of operation, maintenance and capital to the budget of the department. Purchases except food are made by requisition. Each requisition for supplies and each order for food is listed in the department office and charged against the budget amount for the particular item.

The preparation of the department budget is effected in the following manner. Operation items except subsistence are fairly easily estimated by comparison with the disbursements of previous years. The cost of food is estimated at 50% of the estimated revenue from the feeding units. The amounts allotted for heat, water, light and power are based on figures submitted by those in charge of the University service departments.

The amount budgeted for capital items is based at 10% of the insurance value of the property other than buildings. Many accountants believe that a larger amount should be allowed for the depreciation of dining room equipment, some charging off each year as high as 20%.

The maintenance items are obtained by taking the insurance value of the buildings and using $2\frac{1}{4}\%$ as a fair amount to be put back into the buildings each year. Our aim is to keep the buildings in good repair and any balance in the maintenance budget at the end of the year is held in reserve and allowed to accumulate - not with the idea of being able in the future entirely to replace the building when it is no longer tenable, but to be in a position to meet any

large repair items such as those which do not occur annually.

The administration of the department is under one person with the title of Director of Dormitories & Commons who has complete supervision of the feeding and housing on the University campus. On his immediate staff are two assistant directors, one having charge of housing and one of feeding, the latter a graduate dietitian. All the business of the department is handled by the Director and his Assistants from the main office. The cafeteria and laundry are each under the direct control of a supervisor; a chef is in charge in the kitchen. These latter persons report directly to the director and his staff.

The dormitories, except for parlors, dining rooms and mistress suites are given over entirely to rooms for university students. The rooms for students consist of single rooms, double rooms and rooms en suite, the latter accommodating two persons. The demand for single rooms far exceeds that for doubles, and on this account the dormitories under plan will consist wholly of single rooms. In accordance with the act of legislature of 1913 preference in the assignment of rooms is given to residents of the state. Each room is provided with a dresser, a rocker, a study chair, a three-quarters cot, a mattress, a pillow, bookshelves and window shades. Occupants other than summer session students are required to furnish towels, sheets, pillow cases and counterpanes or couch covers. In the housing of men, we believe all linen should be furnished.

The price of a single room for the school year of 36 weeks is \$134 or approximately \$3.75 a week. Double rooms

are \$102 per person, or \$2.83 a week. Suites are \$134 per person. Room rent is payable by the semester in advance. Residents of the halls are required to take their meals in the hall in which they live.

Board for the school year at present has been fixed at \$225 payable in four quarterly installments. The rate then is approximately \$6.25 per week.

The social life of the halls is under the charge of a mistress or chaperone; proctors will supervise the men.

The department cafeteria is open to the public, but is operated primarily to provide good wholesome food prepared under correct conditions for university students. Our capacity of 1200 meals a day is so overtaxed that we plan to enlarge our present plant as soon as the Memorial Union building is completed. The cafeteria is operated on the highest possible standard, and it is most reassuring to know that the demand of our students is clearly for a thoroughly high class cafeteria.

Food for use in the various units is purchased through the office and is delivered to the main receiving station. Here it is checked with a copy of the original order, and if the condition is perfect the food is either sent directly to the storeroom or issued immediately to the kitchen, as is the case with green vegetables and perishable goods.

Food used in the various units is prepared in the one central kitchen, and thence issued to the individual units.

We find that operating a cafeteria in conjunction with the dormitories is of mutual advantage. Meat may be purchased

in large quantities, cut in the kitchen , and various cuts charged out at a lower rate than if the meat were ordered from the butcher ready cut in steaks and roasts. There is also the advantage that the by-products may be more completely utilized.

I cannot overestimate the value to be derived from a comprehensive cost accounting system. The extra expenditure for a competent accountant and the added duties in the various departments are more than made up for in the valuable information given the director. In fact I would not care to supervise a department without a complete cost system. The greatest value naturally lies in the fact that each department is accounted for separately. If there is a nigger in the department woodpile he can be definitely located. Once located the possibility of his being caught is very much more certain. At least he will not spoil a good showing in some other unit. When each department is reported upon at regular intervals and comparisons made between units, the attitude of the employees and supervisors toward economy and efficient management is much more wholesome. The reports are a constant source of information. Should the business office decide the menu in the dormitories ought to be more varied, thus raising the food cost, the wisdom of such a step can be decided by studying the raw food per cent for that unit. To raise the food cost will lower the profit. If both are standard it may be necessary to raise the cost of board to accomplish the desired result. Another great value of a cost system is that the operation of the various departments may be compared. The absolute necessity of separate accounts for every department cannot be overemphasized. If one department

continually shows a less efficient operation, then by comparing the per cents with a normal unit, a diagnosis of the trouble is possible.

In our cost system all food and general supplies are checked in and entered on running inventory cards at the receiving station before being taken to the storeroom or issued to the kitchen or other units. Food or supplies are issued to the units only upon requisition. Food is prepared in standard sized pans and containers and charged to the unit when trucked from the kitchen. Food returned to the kitchen is credited at the return cost to the unit.

At the end of each month a complete cost report is prepared. Each unit, whether feeding or housing, is reviewed in detail. The earned revenue for the period is compared with the expenditures, and profit or loss determined. The expenditures for the feeding units are grouped under four general headings, food cost, preparation cost, service and overhead. The following per cents have been adopted as standard: food 50%, preparation 14%, service 12%, overhead 12% and profit 12%.

The two departments, Central Kitchen and Administration, are non-revenue receiving, and the cost of their operation is apportioned to the various units on a percentage basis, the per cent being in proportion to the earned revenue for that unit for the period.

The method of distributing the food cost to the various units is probably the most difficult. This is effected in the following manner. All invoices covering food purchases for the month are listed in a separate column in the voucher

register. Likewise the cost of all cooked food is carefully estimated from standard menus. When the food leaves the kitchen, as has been mentioned, the unit requisitioning the food is charged for it. At the end of the month, the total cost of the issues should equal to a fairly close degree the cost of food purchased during the month, plus or minus any change in the inventory. The percent of food issued to any unit then is taken as the correct proportion of the book cost of the food to be borne by that unit.

A complete schedule of summaries is included in the cost report each month making a study of the month's business easier, and giving a comparison of net profit and loss for the fiscal year to the date of the report. A balance sheet showing current assets and liabilities is also included, as well as a schedule of reserves for repairs and replacement of capital equipment.

Various means are used to standardize and check the sizes of portions served. One common way of checking the number of servings in a standard container is to drop a bean into a small dish whenever a serving is made. When the container is empty the beans are counted and the number recorded.

So far in the discussion no mention has been made of the organization of the staff and the supervision of the employees. The success of a large department is so dependent upon inner organization and efficient management that even if outward conditions are favorable and customers many, the results most desired will not be forthcoming if the inner machinery does not operate smoothly.

The Director's staff must enjoy the confidence and good will of the employees. It may take months to overcome some petty misunderstanding where a decision has been hastily made or an employee has been dealt with without careful consideration. A disgruntled employee can cast a shadow over a whole group and interfere greatly with its efficiency. The person in charge must be willing to spend hours if necessary to straighten out an altercation.

Each person must have a definite duty. In our office we have on file a schedule by hour for each employee. Besides leading to efficiency these records are of great help in instructing new employees.

Complete office records are essential. There should be hotel cards for the dormitory rooms showing rates and type of room. Different colored cards may be used for single rooms, double rooms and suites. A diary should be kept of the rooms showing what furniture is assigned to the room, when the room is redecorated, and when the floors are refinished or new rugs added. If a contagious disease breaks out in any room the date the room is fumigated and put back into use should be noted. Sufficient copies of all menus and banquet records should be made so that detailed information may be before all those concerned. Utmost frankness about what is served and bought will lead to a feeling of confidence on the part of both employees and dormitory residents.

Every possible effort should be exerted to produce food of high quality. Buying cheap grades and using mediocre materials in preparation is no economy. Many of our cafeteria

customers are surprised to learn we use olive oil for salad dressings, pure lard instead of compounds for pies, special pastry flour for cakes and pure Vermont~~maple~~ syrup. But we know it is economy and our results show it. No one will be content to eat poorly prepared and cheap food abroad if he is accustomed to quality at home. No one left to his own choice will choose a cafeteria or dining room where poor food is served.

We are convinced that the dormitory idea embodies an opportunity for the accomplishment of a useful service; we are likewise convinced that this service is worthy of the best efforts of the business management; and in that conviction we aim to have in the operation of our dormitories and commons the best business methods available, never as an end in themselves, but as the means of making our department achieve its greatest measure of usefulness.

DISCUSSION OF DORMITORY MANAGEMENT

By

H. B. Ingalls, Bursar
University of Ill.

In discussing the subject of Management of Dormitories I shall endeavor to give a brief outline of what is being done at Illinois.

We are rather new in the business of managing dormitories and have had but one dormitory of any size which accommodates 150 girls. There are two small dormitories which accommodate 24 and 26 girls, making the total number accommodated of 200. We now have under construction a new Woman's Residence Hall which, when completed, will accommodate an additional 140 girls.

We require a deposit of \$10.00 with each application which is returned in case the girl is not assigned a room. If the girl is assigned a room the deposit is credited on the charge for the second semester. The above mentioned deposits are made with the Bursar and the assignment of rooms is made by the Dean of Women.

In regard to furnishings, each room is provided with a rug, dresser, rocker 36 inch bed, pillow, study table with book shelf, study chair, window shades and curtains. The room furnishings which the student provides are towels, pillow cases, sheets, blankets and couch cover or bed spread.

The occupants of the Residence Hall are under the immediate charge of the Social Director of the Hall. The management of the dormitory, dining room and kitchen is in charge of the House Manager. The House Manager employs her own help

throughout and handles the purchase of food. A moderate stock of food stuffs is maintained in the dormitory on which a monthly inventory is taken and reported to the Business Office. These materials are charged out for consumption in the dining hall. The accounts of the dormitory are kept at the Business Office where regular monthly statements showing operations of the dormitory and dining room are made.

The rate charged in the past for board has been \$1.00 per day and room rates range from \$108.00 to \$180.00 for the school year, an average ^{rate} of \$14.75 per month. The dormitory fee is payable one half at the beginning of each semester, and as I said before, the deposit is credited on the charge for the second semester. In establishing a rate it is the policy to provide reserves for depreciation and replacement, which are figured on the basis of 3% for buildings, 10% for dormitory equipment and 20% for dining room and kitchen equipment. We also include an amount estimated as required for taxes and insurance which would be paid if the operation were on a commercial basis.

In establishing the rates the thought has been kept in mind also of charging the average market rate for the community both as to board and room. We have endeavored to keep the charge at about the average rate and never does it equal the highest rates charged in the community.

June 16, 1925

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THE MANAGEMENT OF DORMITORIES

Discussion of paper,
by

J. C. Christensen,

University of Michigan

It seems to me that the paper by Mr. Albertson is a very clear statement of some of the fundamental principles connected with the management of dormitories, and I wish to congratulate Mr. Albertson on the excellent form in which his paper has been prepared and the large amount of information it contains.

To make a success of dormitory management requires constant supervision if the problem is to be a success in a financial way. Unless special care is taken, it is very easy to build up an elaborate organization which increases overhead. The management of dormitories, of course, depends to a large extent upon the policy of the institution in regard to this matter. In some institutions we find a director of dormitories and commons who has general charge of all dormitories and dining halls, while in other institutions each dormitory is operated as a separate unit.

At the University of Michigan each dormitory is operated by a separate governing board appointed on approval of the Regents, and these governing boards manage the dormitories. In the dormitories for women the usual arrangement is a social director and a business manager for each dormitory. The social director looks after the social side of the dormitory life and in a certain sense acts as an assistant dean of women, while the business manager looks after the housekeeping, the food service, and has general supervision of business matters. This plan obtains in

dormitories with a capacity of 90 students.

In our largest dormitory for women, the Martha Cook Building, we have three officers, namely: a social director, a business manager, and a housekeeper. In the smaller dormitories, housing 25 or 30 girls, the duties of business manager and social director are combined in one person. Under our plan, each dormitory is a unit by itself and furnishes in many ways a very satisfactory home life as the entire family, including the management, lives under one roof. The boards of governors exercise only supervisory powers, leaving to the business manager and the social director the management of the dormitories.

In the Lawyers' Club, the only dormitory for men at the University of Michigan, the management is in the charge of a woman, called "Director", who has charge of the entire management of the building including food service, etc. She works under the direction of the "Lawyers' Club Directors.

In large institutions with a large number of dormitories, it is undoubtedly a wise thing to have a director of dormitories and commons instead of having each unit operated separately, in order to keep up the standards of each dormitory, and also for more economical operation. I can see that the plan of the University of Michigan would be very apt to be cumbersome in case we should have a large number of dormitories operated independently.

By

68. Starts, knows

Such charges have two sources - within and without the colleges. The faculties, often bewildered at the sheer size of athletic budgets and receipts and sometimes, it must be admitted, envious if not actually jealous of what they conceive as the inflated salaries paid coaches, have been chiefly responsible for the criticism from within. They concede the value of "sport for sport's sake," but are wont to insist that entirely too much emphasis is placed upon varsity athletics. They sometimes argue, too, rather blindly, that where there is so much money involved for such a purpose, there must be extravagance if not something worse.

For the sake of honesty, it must be admitted at the start, that now and then we do find an athletic administration or even an institution so eager for that false kind of success embodied in the "win at any cost" theory, that interest in the regular curriculum seems secondary to that in the production of win-at-any-cost teams. But an honest examination of the facts discloses that such rare cases are the exceptions that prove the rule.

Under recent conditions the colleges have been compelled, willy-nilly, to set up business machinery in connection with inter-collegiate athletics. They have had no choice in the matter.

Criticism from without the colleges has been similar in its nature^{to} that emanating from the institutions themselves. It has come from those who have seized upon intercollegiate athletics merely because it presented a shining target. It has come likewise from certain "purists", who, much like the faculties, argue without much basis in fact, that where so much money is involved, it is not used wisely. They even go so far as to allege that, taking advantage of the great increase in the gate receipts, the colleges have at least sanctioned if not actually directed the building of athletic schedules to produce a maximum total of receipts.

In a very recent memorandum to athletic directors of the Conference, Major John L. Griffith, commissioner of the Western Conference, discussed the perennial charge that college athletics have become commercialized. The inference, he observed, is that there is something heinous in anything having to do with commerce. What the self-appointed critics of athletics really have in mind, he went on to say, is the alleged venality of intercollegiate athletics. Venal, his dictionary told him, means "ready to sell honor or principle." Venal, then, would be the more accurate term.

It really does not matter much, however, what term is employed by the critics of intercollegiate athletics who raise their hands in horror at the size of present day gate

receipts. It is only desired to make plain at this point just what they have in mind when they decry what they call "commercialization" of college athletics. Now for a scrutiny of the real facts.

Up to within perhaps a decade ago and with only two or three exceptions, the management of intercollegiate athletics in all their ramifications was a comparatively simple thing. The administration of intercollegiate athletics today even in the smaller colleges is anything but simple. And it cannot be emphasized too strongly that this condition has not come through any desire of the colleges themselves. In fact, inquiry would probably develop that if they had their way, the colleges would much prefer to be relieved of the business responsibilities modern athletic conditions entail. Since no relief is possible the colleges have no choice except to handle the business side of intercollegiate athletics in a businesslike way.

The Western Conference is perhaps the most outstanding organization of its kind in existence. The responsible authorities of the Conference, naturally, are not blind to the shortcomings of intercollegiate athletics. But that responsible officials do recognize these faults, the critics of athletics do not always admit. And despite the carping of these critics, the Western Conference members, collectively and individually, are making a sincere effort to put and maintain varsity athletics on the highest possible plan.

Ohio State is perhaps a typical example of what might be described as the mushroom development of the varsity athletic system. And since we are better acquainted with the machinery of

an up-to-date athletic system as conducted there, this discussion, so far as it relates to specific instances, will hereafter be limited to our own experiences.

Just to sketch briefly its athletic history for those of you who may be somewhat unfamiliar with it, it is worth emphasizing that 10 years ago Ohio State was hardly known in athletics outside of the state of Ohio. It got along with modest equipment and a minimum of machinery. Ohio State, it will be remembered further, was admitted to the Western Conference in 1912. And about that time an entirely new coaching staff, as it happened, was assembled.

The present director of athletics, L. W. St. John assumed that post after having been assistant director and basketball and baseball coach. He, in turn, brought Dr. J. W. Wilco to Columbus in the following year, and Dr. F. B. Castleman, track coach. That this same staff, with only minor changes, has continued in charge ever since, is proof of the permanency and stability of intercollegiate athletics as conducted at Ohio State and elsewhere under present conditions.

It was not long until the progressive spirit of the new athletic administration produced results. It built from the foundation and with the highest possible motives. All the work of the department was coordinated and instead of the fly-by-night policy sometimes in evidence, Director St. John and his aids built for the future. In 1916, four years after Ohio State was admitted to the Western Conference the first football championship came to Columbus. In 1917 came the second. Excluding the war year of 1918, another almost resulted in 1919, and the third actually did come in 1920. A comparable progress oc-

curred in other sports, notably baseball and basketball.

Now let us note the accompaniments of this upbuilding. In 1915, the year before the first football championship, the total attendance at Ohio State's football games in Columbus was 24,886. That, mind you, was only ten years ago, and was three years after Ohio State was admitted to the Conference. In 1916, the first championship year, the total attendance at home was 38,989. A year later, despite a second championship, the total at home patronage fell off to 32,682. And even as recently as 1919, the total was only 36,478.

The first marked increase occurred in the season of 1920 when Ohio State won its third football championship in four years. In that fall the attendance almost doubled over that of the preceding season, reaching what was then the high water mark of 65,056. A year later the patronage again increased, reaching 69,412. The 1921 season also was featured by the largest single game attendance in Ohio State history up to that time. The now memorable game with Illinois that fall packed old Ohio Field until the fences literally burst with 18,315 spectators.

It had been recognized for some years that Ohio Field had been outgrown. It did not take long to decide what to do. The Ohio Stadium, a pacemaker in every sense of the word, was the result. But lest you have a false conception of that Stadium, let me hasten to emphasize that the Stadium is much more than an arena for that greatest of present day spectacles, a big league football game.

The Stadium was used first for the 1922 season. The attendance that fall nearly tripled over that of 1921. The dedi-

cation game alone attracted more spectators than had ever attended all of Ohio State's games in a single season. The total 1922 attendance in the Stadium was 160,412, and for the dedication game alone it was 71, 385.

To complete the story, it is only necessary to add that 1922, 1923 and 1924 were losing football seasons at Ohio State from the standpoint of games lost and won. But did the patronage shrink? Let the figures speak for themselves. In 1923 the attendance fell off to 148,112. And allowing for another losing team and the lack of a feature such as the dedication game had been the previous fall, this patronage was distinctly gratifying. Last fall, with another losing team, the total attendance set a new high record at 192,260. And the Michigan game alone last fall drew more than 68,000 spectators.

A similar picture might be painted of Ohio State's basketball history. Only ten years ago the gymnasium was relatively ample for the attendance of those days. Two years ago the team began to win. In the meantime the games had been shifted to the Coliseum at the state fair grounds where there are permanent seats for 6500 and an emergency capacity of slightly more than 10,000. It was thought that the Coliseum would be ample for years to come. But once Ohio State's team began to win with some regularity the Coliseum soon proved too small. More than 90,000 persons saw Ohio State's team win its first Big Ten basketball championship last winter, and the end is not in sight.

Now the only point to all this rather lengthy description of the remarkable increase in attendance at our games is that it has compelled us, whether we like it or not, to set up ade-

quate machinery to care for it. No one can be more particular than the man who buys tickets for a football game or for a championship basketball game. He will go to a theater and stand in line for an hour and be glad to get anything the theater has left. But when it comes to football, 99 out of a hundred insist on seats on the 50-yard line and take it as a personal matter when they don't get the exact seats they want. The result, to put it broadly, is that it takes a competent and adequate system to care properly for all the multitudinous details that accompany inter-collegiate athletics as conducted in this day and generation.

Ohio State's athletic organization is relatively simple. The athletic system is coordinated with that of the department of physical education. Director St. John, besides being the responsible head of the athletic department, is also head of the department of physical education - including both the men's and women's branches - and with the rank of full professor on the University faculty. Four other members of the coaching staff, too, are members of the faculty, combining in varying degrees their coaching duties with the teaching of professional courses in physical education.

Within the athletic department itself, aside from the coaching aspects, there is a further organization. The director of athletics is immediately responsible to the Athletic Board, consisting of nine members. Five of the board members are full professors on the University faculty, appointed to the board by the president of the University. They constitute at all times a majority of the board, and are, therefore, in full control of the athletic policies of Ohio State. Two of the

other four members of the board are elected by the alumni and the other two are chosen by popular election from the student body.

The athletic department operates, naturally, under a budget. This budget is drawn up annually by the director of athletics and is presented for the approval of the athletic board. The director exercises general supervision over the athletic finances, but the actual handling of the receipts and expenditures is in charge of the board treasurer, who, in our case happens also to be the University purchasing agent. The purchase of athletic supplies, subject to the budgetary appropriations, also comes under the general supervision of the director who acts largely upon the recommendations of the various coaches.

Supplies and equipment are in charge of the trainer, who also is responsible for the rubbing rooms and the proper attention of athletes in all lines of sport. Ohio State, like many other schools, also retains a physician who devotes practically his entire time to the physical welfare of the hundreds of varsity and freshman athletes.

The sale of tickets has grown to such proportions in recent years that it has been found necessary to retain one other man who devotes almost his entire time the year 'round to the preparation and dispensing of tickets. Just by way of example, this one office recruits a force of eight or ten girls who work continually each year from July 1 to October 1 merely to set the stage for football alone. The task of sending out our football application blanks and literature alone requires the preparation of some 70,000 letters. This task further requires the mainte-

nance of an accurate mailing list, which in itself demands considerable care and attention.

A further activity maintained by the Athletic Department, but which in our case serves the entire University also, is a News Service. This agency, properly speaking, is the mouthpiece of the Athletic Department. It is of use in a surprisingly large number of ways.

Our situation at Ohio State is somewhat unique in many respects as a result of the coordination of the work in physical education with that of varsity athletics. Our system, we like to believe, is the most efficacious available. It presents some problems, of course, but with tactful handling they are readily surmounted. As indicated just a moment ago, the athletic department alone maintains the News Bureau although that agency serves the entire University. A similar condition exists in other respects so that something more than \$20,000 a year from the receipts from intercollegiate athletics go to support functions and to pay salaries which the University of right ought to maintain from its regular budget. There has been no disposition of the University to evade its responsibility in these respects but because of the demand in other quarters for funds, the University has found it impossible so far to take over these things.

That situation brings us at once to the question of what becomes of the huge receipts from intercollegiate athletics? This inquiry is usually the prelude to some of the most savage attacks that have been directed at intercollegiate athletics. Without knowing definitely the details of all expenditures from ath-

letic budgets at the other members of the Western Conference, we ventured the assertion that, generally speaking, they do not contain a dollar of expense that cannot be fully justified. The unfortunate thing has been that they have not always given full publicity to the purposes for which their athletic receipts were expended.

Receipts from athletics in the colleges have kept pace, as you might suppose, with the increased attendance. The two go hand in hand. Generally speaking, you cannot have large attendance without having a corresponding return at the gate. Now this joint increase in the patronage, both in attendance and in dollars and cents, has not been premeditated on the part of the colleges themselves. The public itself has been responsible. It has demanded the privilege of seeing games. It has been more than willing to pay the modest prices generally asked for intercollegiate contests. But it has also insisted upon adequate accommodations to witness such varsity contests. The student and alumni bodies have grown, but not commensurately with the non-University followings of recent years. It is obviously the general public that has swelled the attendance and financial figures of modern intercollegiate athletics. The public, in other words, has adopted intercollegiate athletics as a major interest.

Receipts from intercollegiate contests at Ohio State for the year ending June 30, 1924 were \$343,238.42. Of this amount, football produced \$275,723.72, or more than 13 times the receipts from all other sports combined. The balance, some \$46,000, came from the sale of season books to students and members of the faculty. The total amount handled last year by the athletic treasury, re-

gardless of the source, was \$393,837.94. On such a basis, therefore, it is obvious that college athletics have come to have some of the attributes of "big business."

The important thing, however, is not the size of the gate receipts but what is done with them. Are they wisely used? Are they expended with selfish and merely material interests in view, or do they go, at least in part, to the upbuilding of some larger scheme? Do they benefit the few or do they help the many? Is there a sound financial system of the athletic department, or is the money spent on an "easy come, easy go" basis? These are some of the questions that any interested person might raise and have a right to expect satisfactory answers therefrom.

Since the total of the gross receipts at Ohio State last year reached the sizeable figure of \$393,000, it is interesting to note that at the end of the fiscal year, the treasurer reported a balance of only \$4,840. Curiosity, if nothing else, would impel you naturally to ask: "Well, where did all the rest of it go?". And in the answer to such a question is the test of the soundness of an athletic system and the justification, as we see it, of intercollegiate athletics under modern conditions.

It should be said by way of parenthesis that there is an unfortunate lack of uniformity in making returns. The system in vogue with us differs perhaps materially from that in use elsewhere. The result is that it is not always possible to make comparisons. It would be to their benefit if the colleges could devise some sort of a financial scheme which would enable them to figure from a common basis.

Our Treasurer's report last year, on the expense side

of the ledger, showed the following major items: salaries (some 25 persons) \$51,000; operating, \$33,000; athletic contests (including the shares of gate receipts belonging to other schools) \$139,000; interest and retirement of principal of the Stadium indebtedness and further permanent improvements to the Stadium, \$152,000; miscellaneous, \$12,000.

Another way to look at the situation is to reflect that of the 11 varsity sports conducted last year, only three yielded returns at the gate in excess of expenses. Football, naturally was one. Basketball for the first time, was another, and tennis the third. In other words, the net profits from football, carried the load of practically the entire athletic system as well as non-athletic interests with the exception of \$4100 profits from basketball and tennis. The net profits from football, incidentally, were \$173,000 in round numbers.

The Ohio Stadium we believe to be the finest structure of its kind. It stands on state property, it represents an investment of approximately \$1,800,000, and it did not cost the state of Ohio, to which it now belongs, a cent. Slightly more than \$900,000 of the total was contributed by the public, including alumni and the university community. The remaining \$900,000 must come, therefore, from athletic receipts. In the last four years, the athletic department has invested nearly \$500,000 in the Stadium. It still owes some \$440,000, which constitutes, in a sense, a first charge upon athletic receipts for some time to come.

But the Stadium is much more than the stage for the annual football spectacle. It is in use for a dozen other purposes,

ranging from other varsity and freshman sports, to alumni and university gatherings. It is the nucleus for the new physical education program at the University. It is in use 12 months of the year. It has more than justified its existence.

Equipment for 11 varsity and at least six freshman varsity teams it is interesting to note, last year cost only \$15,000. The expense of maintaining all varsity teams, including team trips, guarantees to visiting teams here (except football), training and everything, was approximately \$50,000, or less than 15 per cent of the total receipts.

It will be seen from these figures that a relatively small proportion of intercollegiate athletic receipts have gone back into varsity athletics. In our case the great share has gone into the permanent investments in the Stadium plant. Some \$20,000 more has gone for purposes which properly belong to the entire University, and another \$15,000 for the support of intramural athletics. It is fair to say, then, that our receipts are utilized and distributed so that they benefit practically every person in the University community of more than 10,000 persons.

Our intramural program is one of the outstanding features of our system. Last year more than 15,000 students and faculty members took advantage of its opportunities. Thousands of games of every kind were played in regularly organized leagues. Regular programs of sports suitable to the time of the year were conducted in the fall, winter and spring seasons. If it were not for the funds available from varsity athletics this would be seriously hampered if not forced to discontinue.

For perhaps 1200 or 1500 men on freshman and varsity

teams last year there were more than 10 times as many in intramural sports. Just this spring, for example, there are seven sports on the intramural program. There are, further, 117 playground baseball teams besides 94 regular baseball teams, and 114 horse-shoe pitching teams. During the winter there were 271 basketball teams. Just multiply these figures by the number of men on a team and you have some idea of the scope of the work.

Our intramural department is thoroughly organized. It controls its own equipment and its own grounds. It provides its own umpires and referees. Everything is on the same general basis as for varsity sports except that there is no admission charge. The department provides the playing facilities and most of the equipment, such as balls, bats, and the like. Ohio State has been a pioneer in intramural athletics and in spite of the progress achieved so far, we look forward to the near future when we can expand even the present program. We shall not rest content until practically every man physically capable of participation takes part in some form of intramural athletics or other physical recreation. The intramural system has been described as the base of our athletic pyramid.

We are willing to leave it to you after such a detailed description whether intercollegiate athletics, in all their ramifications, are on a sound and healthy basis. We do not insist that college athletics are perfect nor that they have accomplished all that they were designed to. What we do demand is that the self-appointed critics of intercollegiate athletics shall give us credit for honesty of purpose, for sincerity of effort and for genuine achievement in spite of the difficulties that have

cropped out along the way. We readily admit that if "big business" means the handling of receipts running well toward the half million dollar mark annually, then intercollegiate athletics must stand convicted of the charge. But we contend further that the mere size of gate receipts is not prima facie evidence of guilt of all the things with which intercollegiate athletics so often are charged.

We repeat what we said a few moments ago that we care much less what the size of the receipts are than about how they are used. It does not matter whether the receipts run even into the millions annually in the case of any individual institution provided that the net receipts are used to legitimate ends that benefit the whole university, the entire student body, and not merely a small group nor a selfish interest. From what we know of conditions at other Western Conference institutions besides Ohio State, we submit that athletics as there conducted are on a sound, unselfish basis and that they will readily justify themselves under the scrutiny of any honest inquiry.

Section 9

Comments On Business Aspects of Athletics

A. S. Johnson

Comptroller

University of Wisconsin

Scanning the minutes of previous meetings of this association and of the Eastern association, we see that the matter of intercollegiate athletics in its various aspects has been up for discussion on a number of occasions. Such questions as the following in connection with this important and interesting phase of university activities have been raised and discussed at various times, and are still, I think, fruitful of discussion:

Where does the control of college athletics center?

What are the lines of responsibility which govern the administration of college athletics?

Should the university, by one of the various kinds of organization, or a combination thereof, take over the control of intercollegiate athletics? If so, to what extent?

The salaries of the personnel - governed by, and based on, academic salaries, or on a basis of the market price for such services?

The disparity between the intercollegiate athletics budget and any one of many academic department budgets.

To whom is the coaching staff responsible? Is it more or less of an oligarchy, or a component part of the university?

Is there any real value received from the expenditure of all this energy on intercollegiate sports?

Has the university or college really anything to do or say about this matter in a large number of institutions?

The inadequate financial reports of athletic associations.
Where does all the money go?

I think that most, if not all, of us will agree that intercollegiate athletics are here to stay. There seem to be few signs of diminution, and so the matter resolves itself into obtaining methods of improvements in the practice and procedure of athletics. One group that has been instrumental in bringing about marked improvements consists of those who are directly engaged in physical education work - directors, coaches, etc. Another group that has been, and should be, of much service in this field, consists of the members of the business staffs of the various colleges and universities.

When we survey the history of intercollegiate athletics, we are impressed with the changes that have taken place, particularly in the business side. Some of the matters of this nature in which marked improvements have been effected are:

- Budget preparation and control
- Custody of and accounting for, receipts
- Making of, and accounting for, disbursements
- Auditing of receipts and disbursements
- Purchase of athletic equipment and supplies
- Care of athletic equipment and supplies
- Care of athletic plant
- Extension of plant
- Financing of various competitive sports
- Aiding intramural sports and general athletics
- Transmission of financial information by reports
and otherwise to the administrative authorities
of the institution.
- Future plans - financial and other.

The members of the business staff of an institution are peculiarly well situated and qualified to render effective co-operation and service in all of the above, and many other, phases of this big problem. To work out a satisfactory and simple system of internal check in connection with the handling of receipts, is one example; to improve the handling of, and accounting for, disbursements, where expenditures are made by the association itself, is another; and to extend modern business practice to the care and custody of equipment and supplies, where, it seems, improvement is badly needed in many cases, is another example of an opportunity for worthwhile service. In one institution, the addition of a competent property man and a good system of checking out and in of equipment resulted in the first year in a substantial cash saving, plus the carrying over for the next year of a stock that would go a long way toward meeting the needs for the new fiscal year.

It is interesting to note that the general trend in inter-collegiate athletics has been in the direction of tying-in, more and more closely, not only with the general physical education work, but with the institution as a whole. This is in many cases particularly true in the business side, and in a number of institutions the athletic finances are as closely linked up with the university or college as are those of the dormitories and other departments.

Whatever may be the details of the particular business system that any one of us may prefer in connection with the management

of athletics, it seems to me that the more fundamental and important question is - What are we, as members of the business staff of our institutions, doing to make competitive athletics increase in their usefulness as an educational force?

May 16, 1925.

THE BUSINESS ADMINISTRATION
OF UNIVERSITY BRANCHES

By

R. G. Sproul
Vice-président
University of California

California is a great state, as some of you have no doubt learned through hints dropped inadvertently by its citizens - great in area, great in population, great in wealth, great in possibilities for the future, great in ways far too numerous to mention in the time at my disposal here. And this greatness, which we Californians conceal so modestly, is a wonderful thing for the welkin ringers of the West, the protagonists of the peerless prune, and other brethren of similar ilk. But for a state university struggling to maintain the doctrine of indivisibility, the vastness of California's area and the unbelievable number of youngsters who concentrate at its center and its southern end and demand a university education, cannot be regarded exactly as an unmixed blessing. And so if, from time to time, we seem to you here in this more settled portion of the country to be introducing dangerous innovations in university administration, I hope that you will throw over us the mantle of charity and believe that we are more to be pitied than censured.

I do not know how many of you are familiar with California other than through the astounding stories of its natives, but probably a brief lesson in geography will not be amiss in demonstrating why the University of California has branches and the difficulties that arise in administering them. We have out in our state a lake known as Lake Tahoe, usually described with all proper reserve as a gigantic sapphire sea ensconced in a setting of rugged

grandeur unequaled on the face of the terrestrial globe. But be that as it may, this lake lies at the kink in our eastern border and divides the same into two sections. Now if the State of California were transported across the continent and this lake superimposed on the City of New York, with all the benefits thereunto appertaining, the boundary line which now runs northward from the lake would extend from New York City to the extremity of Cape Cod; the northern or Oregon boundary of the state would cut across Massachusetts and New Hampshire; the coast line would cut Vermont near the Canadian border and then meander across western New York, Pennsylvania, Maryland, West Virginia, Virginia and North Carolina; the southern or Mexican border would practically coincide with the line between North and South Carolina. In brief, California would nearly cover all of the Atlantic States north and south except Maine, South Carolina, Georgia and Florida. Within this covered area are the universities of North Carolina and Virginia, the Catholic University of Washington, Johns Hopkins, Pennsylvania, Yale, Princeton, Columbia, Cornell, Harvard, Brown, Tech, the women's colleges Goucher, Bryn Mawr, Hunter, Barnard, Vassar, Wellesley, Holyoke, Smith, Radcliffe, and a host of other institutions of respectable size and high standing. With all these the Atlantic seaboard attempts to meet its needs in the field of higher education.

In California, for the same area and for a population smaller but by no means inconsiderable, an attempt has been made until recently to meet these needs through a single state university supplemented by privately endowed colleges and universities, unfortunately mostly in its own vicinity and limited both in number and in enrollment. I say an attempt has been made, for never in the

last twenty years have the facts fully sustained the theory that the University of California was a single institution located in a single place. The oldest and the largest departments have been at Berkeley, the original seat of the University, but many of these departments in the necessary development of their work, have thrust themselves out beyond the old campus walls to complete or supplement their efforts in various parts of the state. Thus, were established the Lick Observatory on Mt. Hamilton, fifty miles away; the University Farm at Davis, seventy miles away; the Medical School and Hospitals in San Francisco, fifteen miles away; and the Citrus Experiment Station at Riverside and the Scripps Institution for Biological Research, each more than five hundred miles away. These institutions, moreover, starting as small seeds, under the well-known influence of our soil and climate (I just couldn't keep the climate out of this talk any longer) soon sprouted into a vigorous growth, nurturing many students, calling for appreciable and increasing appropriations, and demanding that business direction without which even a temple of the higher learning cannot prosper.

Despite these facts, the conservatism natural in a university with fifty years of age and tradition, argued not only for centralized control of business affairs, but also for centralized execution of the same, and shift was made for many years to handle the growing problems and complexities of financial administration and business management from the home office in Berkeley, with no local contact other than an occasional bookkeeper employed by a department and a semi-occasional visit by the University accountant, purchasing agent or comptroller to find out just how bad the situation

was getting to be and what if anything could be done to improve the obvious deficiencies in service and management. How long this might have continued under ordinary circumstances no man can tell, but in 1919 an event took place which brought in its train consequences which forced a radical change in all our University administration and particularly in the conduct of our business activities. I refer to the action of the Legislature of that year in transferring to the Regents of the University of California the Los Angeles State Normal School in the City of Los Angeles, and requiring them to maintain in its place and stead a teachers college with a four year course leading to the degree Bachelor of Education, supplemented by the freshman and sophomore years of general collegiate work.

When this institution came to us it had 1300 students and was visibly languishing. Almost immediately after the union, the family began to increase with rabbit-like rapidity - in one year to 2000, in two years to 3500, and so on until to-day there are over 5000 regularly enrolled undergraduates about equally divided between the teachers college and the college of letters and science. Moreover the character of the institution, which is now known as the Southern Branch of the University of California, has changed as greatly as its student body. The overwhelming success of the new enterprise, despite its obvious handicaps, and the tremendous pressure of the economic, political and educational forces in the rapidly expanding community which it serves, soon brought about the addition of a third and then a fourth year of general collegiate instruction, and the Regents gave themselves whole-heartedly to the development of what is in fact a second, though not a separate, University of California - not duplicating the older insti-

tution at Berkeley but complementing it in departments where it has been over-crowded with students and supplementing its work in fields which are peculiar and appropriate to the environment in which the Southern Branch is placed.

This rapidly expanding Southern Branch, located in a great and growing center of population, a center with a distinct and distinguished character of its own, five hundred miles of high mountain and broad plain away from the northern center in Berkeley, obviously could not be adequately served in a business way except by an office and a personnel on the ground and alive by daily contact to its needs and its aspirations. Any other arrangement would have been almost as unsatisfactory as control of the business affairs of the university as a whole by the state government at Sacramento, an arrangement which we have successfully fought off in a number of intermittent skirmishes over the last ten years. And so the decision was reached - a wise decision, I believe, even without the pressure of the Southern Branch - to partially decentralize the business administration of the university by the establishment of branches of the Comptroller's Office at Davis, San Francisco, and Los Angeles, each serving not a single institution but all university interests in its locality, and each responsible not to any local academic authorities, but to the Comptroller in Berkeley; thus relieving the central office of the burden of detail under which it had been groaning and staggering for years, and at the same time giving the outside stations of the university a more complete and responsive business organization, more thorough service and more accurate information than they had ever known.

These three branch offices which we have established are not identical, for the fields they occupy and the parts of the institution they serve are quite different in character and in needs. The San Francisco office serves the Medical School and two Hospitals, the Hooper Foundation for Medical Research, the Museum of Anthropology, the Colleges of Dentistry and Pharmacy, the Wilmerding School of Industrial Arts (an affiliated institution) and various general university interests in San Francisco, which is still the financial center of our state. The Los Angeles office serves the Southern Branch, the Citrus Experiment Station at Riverside, the Los Angeles Post-Graduate Medical Department, the Scripps Institution at LaJolla, and a host of other interests in the southern half of the state. The Davis office is the most purely local of the Comptroller's offices, serving as it does the University Farm Non-Degree School, the Branch of the College of Agriculture, and the Agricultural Experiment Station, all located at Davis. In charge of each of these branch offices is an assistant comptroller who has both authority and responsibility for the business management of the activities in his territory under general policies laid down by the Comptroller of the University and the Regents. Each of these men for his area has full charge of accounting, construction and repair work, power, heat and light, janitor service, mail distribution, the collection of all money, and the payment of all charges except regular monthly salaries. In addition to these general functions, the Davis branch operates dormitories and commons, the San Francisco branch conducts all the service features of two hospitals including the laundry and commissary departments, and the Los Angeles Branch has a purchasing department.

A brief description of certain of these departments and functions and of their coordination with the central business administration will perhaps be the best way in which to make our system of branch development clear to you.

Bookkeeping at long distance for a large number of transactions is obviously cumbersome and unsatisfactory. Interdepartmental transfers requiring journal entries and adjustments are always difficult to record except where they originate. With accounts kept at long distance there can be no up-to-the-minute budget control and impending overdrafts constantly tend to become actual. Moreover an accountant or bookkeeper unfamiliar with the people and activities which his accounts are to reflect, has difficulty in tracing errors, and cannot anticipate changes in method, which if seen and provided for, transform accounting from a summary of ancient history to a guide post for the transactions of the future. Because of these facts, accounting was the first need and the first development in our branch system. The accounting department at each branch is under the immediate direction of the assistant comptroller there, who hires and fires the personnel, but all matters of accounting forms and procedure must have the approval of the Chief Accountant at Berkeley, in order that the university accounts as a whole may harmonize. The general requirements and duties of the branch accounting department are as follows:

1. Budget control.
2. Recording current transactions such as requisition
liens, payrolls, bill payments and collections.
3. Furnishing to the Assistant Comptroller financial information necessary for the efficient conduct of his business.

4. Compiling reports and statistics for the main office.
5. Assisting in the preparation of the annual budget and the annual financial report.
6. Preserving permanent records for future reference and historical purposes.

The budget of the university is arranged so that the funds and budgets of each branch office can be segregated, and so that within the branch budget there may be a distribution to departments and activities entirely similar to the plan in use throughout the university. This makes it possible to coordinate the business of each branch with the university accounting system and to provide for similar methods of summary, analysis and comparison. Control over the budget of the branch office activities as a whole rests with the Comptroller. The Assistant Comptroller is responsible for the divisions within the branch budget, and in the exercise of that responsibility, keeps accurate record of all liens and charges; once a month or oftener, furnishes a detailed statement of expenditures to each department head; and in general takes all usual and necessary precautions to prevent overdrafts within his territory and to make readjustments within the branch budget to cover such overdrafts as are unavoidable.

The system of accounts at each branch office is designed to parallel the system used in the main office and in the other branches so far as possible, but it is clearly recognized that variations must occur and no effort is made to sacrifice efficiency to uniformity. The aim in every case is to devise a system which will yield the results demanded in actual practice. The branch office ledger accounts are all designed to render easy the preparation

of budget statements and to simplify combination and reconciliation with the main office accounts. In addition to the usual operating accounts or income and expenditure accounts, the branch office carries certain capital accounts to show current assets and liabilities, plant and property valuations, and certain special accounts for specific funds, both temporary and permanent. The main office carries only control accounts wherever the branch office carries detail, except that endowment fund and endowment investment accounts applicable to a branch are carried on both sets of books for the sake of completeness. Account classifications are standardized so that the internal distribution of ledger accounts, particularly as to expenditures, is the same throughout the university. In some few cases secondary or subsidiary classifications are maintained for local use, and this is done readily by a special ledger sheet providing two classifications of the same totals without rewriting. Standard forms are of course used as far as possible in all branches, as well as in the main office, to facilitate uniformity, in system and procedure. As has always been the rule of the university, no departments are permitted to maintain accounting systems separate from the central system in the branch office. Branch office accounts are reconciled with the main office semi-annually or oftener, and a regular audit is made annually by a firm of certified public accountants. At the close of the fiscal year, each branch prepares a detailed statement of the year's business, which is used in preparing the Comptroller's annual report as well as becoming a part of the records of the main office.

The collection of money at each branch is handled by a cashier under the immediate direction of the branch accountant.

These collections include student fees, miscellaneous bills, and the proceeds of the sales of produce, services or accommodations. Proper record and analysis is made by cash register or otherwise at the branch office of all cash receipts which are immediately deposited in a local bank for the account of the main office.

Funds thus deposited cannot be withdrawn by any local officer.

No department other than the Comptroller's Office at any branch is allowed to make collections or handle cash, and no receipts may be issued except by the cashier. Disbursements for all purposes except regular monthly salaries of permanent employees are made locally, each branch having a revolving fund sufficient for its needs, on which checks are drawn and signed by the Assistant Comptroller and Branch Accountant. Reimbursement of the revolving fund is made by the main office on the basis of schedules submitted daily, supported by vouchers, bills or payrolls, checked and verified by the branch office and audited by the main office. By this method of local payment, cash discounts are secured with certainty, statements from the trade are checked with ease and convenience, and local pride and interest in the branch and its affairs are fostered. The payment of regular salaries from the main office reduces the amount of money tied up in revolving funds and tends to promote institutional solidarity.

Branch purchasing follows the same general procedure which has been outlined for branch accounting, except that in only one branch is a representative of the purchasing department maintained. This is due to the fact that there are in California two natural markets, San Francisco and Los Angeles, and the main office is nearer to one of these than any branch except the Los Angeles branch,

so that the establishment elsewhere of purchasing departments would serve no good purpose. A requisition for supplies or equipment originates with the branch department; the same manifold form being used throughout the university. This form is sent by the department to the Assistant Comptroller who checks the specifications, passes upon the request as to availability of funds and advisability of purchase, and forwards it to the Purchasing Department at the main office. Here the Purchasing Agent secures bids and makes recommendations as to prices and other pertinent matters to the Comptroller, who finally authorizes the purchase, if satisfied. The Purchasing Agent then issues an order, of which the branch receives a copy, and the transaction is complete except for checking of deliveries by the branch. The Los Angeles Branch office is a slight exception to this general procedure, a representative of the Purchasing Agent being maintained at that place. This representative is responsible jointly to the Purchasing Agent and the Assistant Comptroller. He does all detail work in connection with requisitions, carefully checking specifications, advising with departments as to possible substitutions, securing bids, checking prices and following up deliveries. The requisitions of the Los Angeles branch after passing through the hands of this representative are submitted to the Assistant Comptroller for approval, and if found satisfactory by him, are forwarded to Berkeley with all pertinent information attached for review by the Purchasing Agent there, and final approval by the Comptroller. Notice of this approval is then sent to the local purchasing agent who issues the order on the basis of the data which he had previously secured and completes the transaction. Before this local office was opened, requisitions were frequently lacking in essential details and endless correspondence

was necessary in order to purchase intelligently in a distant market. Further, the Southern Branch, with its faculty of new and in many cases unexperienced men, did not have the technical buying advice which it very greatly needed, and the local community, which is an extremely self-conscious one, always felt that it was being discriminated against in favor of a rival 500 miles away, even though we had leaned over backwards in our attempts to purchase locally wherever price and quality would justify it. With the representative on the ground, delays are practically eliminated, new firms are brought into competition for university business, and quality and service are maintained by a prompt and careful check of all deliveries. The method described is used for the purchase of all routine supplies and all individual items, but where there are large expenditures for the same class of material at each of the branches, the Purchase Agent at the main office may make a general contract, or even join with the Purchasing Agent of the State of California in a contract for such supplies. Confirming requisitions from the branches take care of the transfer of funds in such cases.

Accounting, purchasing, and the receipt and disbursement of funds have now been described. Many other departments might be treated similarly but this would involve repetitions without making the general framework of the system any more clear. Enough has been said already, it seems to me, to indicate the nature of the branch office and the way in which it is related to the business administration as a whole. One thing only is perhaps worthy of further elaboration and that is the place of the Assistant Comptroller in the scheme. As a matter of fact in great measure he is the scheme.

If he is the right man for the right place, it is a great success. If he is timid in the acceptance of responsibility or reckless in the exercise of authority, it is at best a lame and halting arrangement, and at worst a positive detriment to the progress and happiness of the institution. We speak with knowledge on this point for we have had three successes and one failure to our credit thus far. The Assistant Comptroller must be responsible in fact as well as in name for the direction of all business administrative functions in his sphere of influence, he must assume and discharge his duties in a real and positive way instead of negatively, as is always the case where there is a system of separate units; yet he must be quick to recognize and to consult with his chief concerning those more or less infrequent cases which affect general policy. He must know the home office and its ways thoroughly, and this we have accomplished largely by sending out home office men, yet he must not attempt in every case to fit the problems of his locality to the general system willy-nilly. He must rather determine and bring out the needs of his particular situation, and if necessary, remold the home office plan to meet them. He must realize and gracefully accept the fact that his decisions are subject to review and to change by the Comptroller, but conversely, the Comptroller must keep constantly in mind that the reason for a branch office and a local representative is that decisions may be made promptly on the ground in the light of local conditions as well as general policies, to the end that business may be expedited. Finally the Assistant Comptroller must become the "right hand man" of those in academic authority in his territory. He must establish cordial relations which will lead these men to wish to turn over to him more and

more the direction of matters connected with the business of the institution in all its departments in every shape and form. He must build up a closeness of association, a mutuality of interest, and a helpfulness of action, that will cause those for and with whom he works to regard the activities of the Comptroller not as interference from above and from afar, but as cooperation on the ground and friendly representation at the center.

All these things have their seed in the individual, but they can only find their ultimate and best fruition in the "esprit du corps". To promote this esprit du corps, a monthly meeting is held in Berkeley which is attended by all the central office department heads and by the Assistant Comptrollers from Davis and San Francisco. The man from Los Angeles attends once in three months and the Comptroller visits his office in each of the other months so that even at a distance of 500 miles there is a reasonable amount of "getting together". These monthly meetings are presided over by the Comptroller but they are in no sense his meetings. In fact, he takes very little part except to encourage and promote free discussion of points of difficulty, of problems of mutual interest, and of new suggestions which have been worked out either at the branches or at the main office. One very valuable and unexpected result of the branch system and these monthly meetings is that in the last two years there have been more improvements in main office procedure than in the ten years preceding. Very evidently the competition of young men meeting our problems in new fields and attempting to solve them in better ways has shaken our somewhat complacent central organization loose from the pious idea that no improvement could very well be made in the way they were doing

things, has rejuvenated their outlook, and this new spirit, coupled with the old experience, is accomplishing great things. But the main result of these meetings is the promotion of knowledge of the institution as a whole; the acquisition by each man of something of the other fellow's point of view; the development of team work and loyalty and cooperation; the promotion of a more intelligent and ~~self~~-sacrificing service of the university.

And now in closing, let me say that a branch system can be handled from the point of view of business administration with facility and satisfaction to all concerned. Our branch system in California brings with it many problems of which the business feature is in no sense a major one. On the contrary, by the excellence of our cooperation and the fruitfulness of our efforts, we are promoting the success of the scheme as a whole and demonstrating that even under great difficulties, it is possible to maintain a university single in spirit and administration, though scattered in location over the broad acres of a great state. We, of the Comptroller's Office are proud to know that we are playing no small part in maintaining one University of California, a university of sympathy, humanity, service, the daughter of the State, the mother of good citizens.

ANALYSIS OF UNIVERSITY EXPENDITURES

Lloyd Morey

It is like stating an axiom to say that the subject of "Analysis of University Expenditures" has received tremendous attention in the last fifteen years. Two obvious reasons to which others might doubtless be added come to mind as representing the principal motives back of this increased interest. One is the fact that fifteen years ago university and college accounts generally were not yielding very much in the way of useful information. Records were limited and reports gave little more than a chronological record of the financial transactions. The activities of various organizations, including this Association, and of many individual university officers have brought us to an entirely different condition in this respect.

The second reason for the interest in improved Analysis of University Expenditures is the great increase in the financial requirements of these institutions. Naturally this condition gave rise to many questionings, demands and inquiries particularly in the case of publicly supported institutions. These inquiries could only be answered by an improved analysis and by comprehensive and intelligible financial exhibits.

The development along these lines has expressed itself principally in what may be termed a budget analysis. By this is comprehended an analysis of the expenditures in terms of the organization and in terms of budget classifications. For the tremendous improvement that has taken place and for the reasonable uniformity that now exists in published reports of institutions of higher education this and similar associations have been largely responsible. A recent publication

of the Bureau of Education ⁽¹⁾ summarizes the activities along these lines and gives useful suggestions.

I am convinced that the publication of comprehensive financial reports such as are now put out by the majority of the larger universities has done much to increase the confidence of the public, and in the case of state institutions the confidence of the legislatures, in our financial and business methods. These reports indicate the willingness of the institutions to make the details of their finances public, a feature not found with all public bodies, and one the importance of which we must never neglect or overlook. They indicate the care which is taken in the distribution of the funds of the institutions and in the control of their expenditures. In a number of cases they have done much to eliminate the desire or necessity for superfluous audits, checks and controls by outside agencies and officers.

These budget reports, however, or reports analyzing the expenditures of universities under the various departments and operations, have not, in the minds of some, given sufficient information. Some persons, agencies and institutions have sought to perfect methods of analyzing expenditures under certain cost headings for which certain so-called unit costs might be shown. As a result some institutions have undertaken to detail their expenditures in terms of such units as student clock hour, student credit hour, student per capita and others. A few universities have published figures intended to indicate their costs of operation under one or another or all of these units. A good many have made some studies intended to produce these figures at least for their own reference and satisfaction. Some comparative figures have also been compiled, the most recent being those contained in a report by

E. B. Stevens distributed by the American Council of Education.

(1) Dr. C.H. Thurber: "Fiscal Support of State Universities and State Colleges"

(2) What of this unit or statistical method of analyzing university expenditures? What are the reasons which have given rise to it? What are its purposes and its possibilities?

If we inquire into the reasons for the development of the statistical or unit method of analyzing expenditures we seem to observe three possible causes: first, a certain demand on the part of the public, second, a demand of the state legislatures, limited of course to state institutions; and, third, a desire on the part of the institutions themselves for greater knowledge of their operations.

As to the demand of the public for information of this kind, that demand appears to have been scattered and intermittent. It has expressed itself largely through the interest of various individuals - members of University Boards who are concerned in manufacturing or other business operations and are used to dealing with unit cost figures; members of various educational and other agencies chiefly concerned in the statistics of such matters; occasional interested representatives of the press. I do not believe there has been any persistent or wide-spread public demand for unit cost figures of higher education. The public demand for information about public expenditures is usually more than satisfied by an evidence of thorough-going methods and willingness to distribute full information to persons entitled to it.

In respect to legislatures the attitude has varied. An occasional legislature has called upon the state university for detailed cost analysis. Here and there a legislature has capitalized the absence of such reports to heckle the officers of the university and embarrass them (2)"Unit Costs of Higher Education", Educational Finance Inquiry.

in their askings for appropriations. Now and then a legislature has been justified in calling for more and better information than it was receiving. Rarely has a state legislature yet made intelligent use of unit cost figures presented by its university or made them the bona fide basis for appropriations. This must be said, however: that the availability of such figures as compiled by the institution itself has often kept the legislature and others from undertaking to secure them by outside means. Against such a procedure we should protest with all possible vigor. Our most effective protest is to do it ourselves.

I am led to believe, therefore, that the occasion for statistical analysis of expenditures is largely within ourselves; that led by earnest desire to determine with the greatest accuracy and completeness possible the ways in which our funds are applied and to measure their effectiveness, we have undertaken methods of self-survey which have included a statistical analysis of expenditures. Some in their eagerness have seen great possibilities in its use. Some have hoped by this analysis to develop a basis for building the budget and for determining the correctness of the requests of various departments. Some have hoped to make this analysis the basis of defense for their requests for larger incomes either from public appropriation or from endowments. Some have dreamed of the possibility of comparisons among institutions and of possible checks on their relative efficiency.

The subject is not a new one. For over a decade various universities have been studying their expenditures in this way. There has been a considerable amount of discussion of the subject by various university officers and by various associations. Interest in it has been far from universal and opinion as to its significance varies widely. In the majority of cases where studies have been undertaken they have been used chiefly for reference of the officers of the institution, and for such

public use as was practicable. Inquiry seems to reveal that very few universities have undertaken to build a budget on the basis of the unit costs arrived at by statistical analysis. There has been very little uniformity of approach to the problem either as to the method to be followed or the desirability of the whole matter.

May we now inquire a little more closely into the possible functions and uses of a unit analysis of expenditures. The major purpose of an analysis of expenditures of any business either public or private is to provide information as to how funds have been expended in the past so that a suitable program for future expenditures may be made. From the standpoint of a university the most important use that an analysis of expenditures is to fill is to provide the basis for the future budgets of the institution. It is important to know what has transpired in the past and the historical record of financial operations is, of course, vital. However, of even greater significance is the development of a sound program for future financial operations.

A university is concerned with two kinds of budgets. The one we may call an external budget; the other an internal budget. The one has to do with the resources that are necessary to finance the activities which it undertakes to carry out. The other has to do with the distribution of the resources in detail, among its various activities. The one has to do with public appropriations, with student fees and tuitions, with incomes from endowments and with other sources of revenue. The other has to do with the provision for the operation of the entire institution in every phase and detail of its activities.

To what extent then may these statistical figures be used as a basis for or in defense of the establishment of certain resources for the university in the form of appropriations or endowments? I believe very little. The figures of unit expense of a university require a careful

analysis or interpretation by persons entirely familiar with its organization and procedure. They fluctuate with every change in enrollment, registration, staff, curricula and activity.

However interesting and serviceable they may be by way of reference, to make them a fixed basis for assignment of funds to the institution would be a very uncertain procedure. Their chief usefulness will lie in informing those rightly interested as to the previous use of funds, and to give evidence of the availability of such information. To attempt more would likely lead to endless discussion and complication.

When we turn to the internal budget of the institution we find ourselves face to face with its organization. We have the various instructional and scientific departments each responsible for certain activities. These may be organized or grouped into colleges for purposes of administrative unity. In addition to these departments and units we have certain administrative and general departments not concerned with the teaching of any particular group of students but with giving service to all students and to all departments.

Budgets must be made in terms of the administrative units. This is the only way in which officers and department heads can be held responsible and accountable under and within definite budget assignments. Budgets for general administrative offices and departments must be assigned to the heads of those departments. Budgets for the expenses of teaching departments must be assigned to the heads of those departments. The head of a teaching department cannot be held responsible for the efficiency of the janitor work or the heating and lighting of the rooms which he occupies. He cannot be held responsible for the fact that he is assigned to a new modern building in which the maintenance cost is low, or, perhaps, on the contrary, to an old building in which

the upkeep is extraordinarily high.

The process of determining unit expense in a university, according to all known methods, which have followed industrial cost methods in this respect, consists of assigning to each unit an arbitrary portion of the expense of general administration and service, in addition to the so-called direct expenses which have been specifically budgeted to the department in question. The resulting figure, therefore, includes certain expense over which the department head has control and for which he is responsible. It includes certain other expense for which that department head has no control and for which he is not in any way responsible. You can hardly hold an officer accountable for operations or conditions over which he has no control. Therefore, I do not believe you can build the budget of a university department on the basis of unit expense figures which include expenses of general administration, physical operation, library expenses and other similar items with which he is not concerned.

Furthermore, if unit expense figures are to be made the basis for the internal budget it would be necessary to appropriate to each department of the institution a certain share of the expense of general administration, of physical operation and other general services. It is obvious that such a plan would be tremendously cumbersome if not altogether impossible. It is equally obvious that it would involve a very serious problem of assignment and jurisdiction of funds. The university budget must follow the organization. In no other way can accountability for its various assignments be enforced. The possibilities of making unit expense figures in their present form the basis for departmental budgets seem to me very remote.

Other suggestions for the use of unit expense figures include possible comparison between departments of the same institution. It is proposed that certain types of departments whose work is similar as for instance, Political Science and History, or Botany and Zoology, or Horticulture and Agronomy should show substantially the same unit expenses. When we study the methods by which unit expense is compiled we find that it depended upon, for example, the number of students registered in the department, the total salaries of the staff, the total expense of instruction other than salaries, the expenses of rooms or buildings assigned to the department, a share of expense of general administration and of the maintenance of the library. A department may have a course in which twenty students register. The unit expense of that course will be so much. In a succeeding instructional period twenty-five students may register. There is no decrease in staff, there is no decrease in physical expense and there is no decrease in the total instructional expense of the department but the unit expense will show a decided decrease. Another department has no change in registration. Its unit expense shows no decrease. Or perhaps it has a decrease in registration without any increase in departmental expense and as a result shows an increased unit expense. Are we to assume that the department which shows a decreased unit expense is operating at a higher efficiency than the other department; or that the budget of the department which shows an increased unit expense should be cut so that its unit expense would be on the basis of the other? The absurdity of such a conclusion or such a procedure is immediately obvious.

Another interesting feature of unit expense figures is in respect to the salary table of the department concerned. Instructional salaries form an important part of the instructional expense of every de-

partment and, therefore, vitally affect the unit expense of instruction. Let us take a situation in which an institution has at the head of a given department a man of unusual distinction. As a result of the attainments of this man the university accords to him an exceptional salary, possibly quite a little above the usual scale. This salary becomes a part of the instructional expense of the department to which he is attached. As a result the unit expense of instruction in the department is considerably increased. Are we to assume that that department is less efficient than other comparable departments of the same institution or of similar departments in other institutions as a result of this situation?

So we find that the possibilities of making strict application of unit expense figures in relation to the budgets of the several departments are very limited. Let us now inquire as to the possibility of comparison between institutions. ^The desirability for this kind of comparison has been often emphasized and encouraged. What are its possibilities?

The expense of a university varies first of all with its stage of development. As a university grows older, it, like individuals, attains to a higher standing of responsibility and a broader range or scale of activities. Its expense increases proportionately because the character and value of its work increases requiring greater outlay, but, of course, reflected in greater service. It is not so much a question of size of institutions. A large institution may or may not show a lesser unit expense than a smaller institution. Conditions are not necessarily ^{to} be compared with those in the industrial world where we generally believe unit expenses are decreased by centralization and amalgamation resulting in production on a large scale.

Physical location has considerable to do with the expense of a university. An institution located in the extreme North would show a very much larger expense of heating, for example, than one located in the warmer climates. That feature would have nothing to do with the relative value or effectiveness of its instructional service. A university located in a large city has certain financial advantages and certain financial disadvantages. The advantages result from its closeness to markets and the resulting opportunities of buying at best advantage. Its disadvantages result from the added burden imposed by location in a large center resulting in higher wage scale for employees, a higher salary scale and possible larger expense of physical upkeep. None of these features represent either a better or poorer quality of instruction or service yet they are immediately reflected in the unit expense figures.

No two universities are organized in exactly the same way, all have different departments, different activities, different organization. Some because of location are called upon to emphasize and enlarge certain departments and curricula. Others may give scant attention to these courses but may place emphasis on other and different activities. The possibility of comparing unit expenses of conditions so widely different is exceedingly remote. It is this fact that has lead President Kinley to say in one of his reports:

"Frequently the statement is made that educational institutions are open to criticism because they do not have a uniform system of keeping accounts. Those who make such a criticism fail to understand the character of educational institutions. No two are alike in their educational organization. They can not be. An accounting system should be adapted to the organization which it is intended to represent or

reflect in financial statistics. It is and will continue to be impossible to have the accounting systems of universities all alike, unless we reduce the educational organizations of the universities to identity. To do that would be to destroy whatever individuality each has, and to destroy much of ~~what~~ is essential and valuable in them educationally. It is for these reasons that comparative statements about university finances, business methods, educational procedure, and other matters need to be read with great caution. Things compared are usually, or at any rate frequently, not comparable." (1)

These are some of the reasons why I am not very enthusiastic or hopeful about the possibilities of reducing our accounting systems to a strictly uniform basis or of the possibilities of expressing our expenses in terms of comparable units, at least to any degree of satisfaction or advantage. It would be easy for me as an accountant to picture a condition in which every phase of activity of our universities was measured and controlled by cost figures. But I can not do that as a University officer, for I have too high regard for the spiritual purpose of our work. Cost figures alone do not give a basis for deciding for or against any activity. Educational needs, values, and purposes are superior to accounting systems and unit costs, and to them the latter are merely useful adjuncts.

I cannot better express my feelings along this line than to quote from a statement made by President Birge some little time ago which it seems to me sums up the situation very well indeed.

"So I welcome all statistics, all methods of cost accounting, all computation of unit costs which will aid us to administer wisely and (1) The President's Report, 1922-23. (University of Illinois) Page 40.

economically the great public funds entrusted to our care. On the other hand I dread such a 'view' of these statistics as may lead us and our friends to conceive our work in terms of economics alone and to picture our institutions as only one of the organized economic forces of the state. Such a conception finds an easy place in the minds of those whose thought is naturally limited to economic terms, and once fixed there it must lead to one certain result. They will seek to mold the university to their ideals, to make it 'meet the demands' of the public and these alone, to take it out of the class of spiritual institutions and rank it among those which seek and share profit." (1)

I would not have you think from these critical remarks that I see no usefulness in unit expense figures. On the contrary I do believe they are useful and important. They will be found of considerable service in determining the reasonableness of departmental requests for appropriations and of the trends in expenses in the various departments. They will be of most service in meeting and combatting with accurate and tangible facts statements of per capita and other costs made by persons and agencies outside our institutions. We have been all too often embarrassed and misrepresented by having some one else figure out our costs. We should do our own accounting and reporting if we wish it done right.

As financial officers we should neglect no means by which the finances of our institutions may be more fully analyzed and understood. It is to this end I believe we should, each of us, if possible, develop either continuously or occasionally without undue expense such statistics (1)"Clerkship and Merchandise", By Dr. Edward A. Birge, Pres., University of Wisconsin, in Transactions and Proceedings of the National Association

as will give us the greatest possible financial analysis of our respective activities. In doing this we should be guided by such principles of procedure as appear to us sound, keeping in mind, however, that there is probably no best method of procedure; that something good may be said for every method; and that the most important thing is for each university to follow the plan that gives it best results and best service for its purposes.

I do not like to lay this subject aside without undertaking to offer a few suggestions as to procedure. There are some points on which it seems to me there is such grave danger of our going seriously afield that we should proceed with extreme caution. In the first place I should like to emphasize particularly with respect to our state institutions, and I believe the condition applies almost the same to endowed institutions, the fiscal character of our resources, that is, that our resources relate to given fiscal periods. Furthermore, that they are resources of cash and are expected to meet the cash expenditures of a given fiscal period.

With respect to appropriations from the public treasury, this is a necessity. These appropriations are made to meet specific cash expenditures for and within a given fiscal period. Our analysis of expenditures then should relate to and coincide with this condition. However desirable it might be from the theoretical accounting standpoint to make allowance for depreciation, obsolescence, interest on investment and such other similar elements of cost, such a procedure in university accounting is fundamentally impracticable. Our university accounts must of necessity relate themselves to cash expenditures and to fiscal periods. They must show how much money has been expended during given periods and for given purposes. Our budgets must show how much money should be or may be expended in future periods for the proposed purposes; and

figures of unit expenditures should be compiled on the same basis.

In the second place we should clearly recognize that our universities are not exclusively teaching institutions. Whatever may have been their original purpose, they are now much more than mere places for the instruction of students. They are great public service enterprises. They are places where in a thousand ways inquiries are being made into subjects of public interest and consequence. They are places where thousands of experts are as public servants seeking to add to the world's store of knowledge and of truth. Out of them go daily to the people of the community and territory which they serve information and service of the most vital character.

Our accounts must recognize these facts. If we are to analyze our expenditures adequately we must take cognizance of that time and that value which is devoted primarily to purposes of research and to the dissemination of information. This will not be accomplished by assuming that only those people whose time and service is designated as relating solely to research or other public service constitutes the whole body of research work of the institution. The activities of each department must be carefully analyzed. The service of each individual member of the staff must as far as practicable be similarly analyzed. In the end a report should be prepared which will indicate with reasonable completeness how much of the energy of the institution is actually being devoted to the service of the public at large. Then such fabulous figures as \$1,000 to \$1,500 per year per capita cost will disappear and the public will understand that the activities are not grade schools but are great centers of learning, culture and public service.

There has been a great deal of discussion over the units to be employed in a cost analysis. I can not get away from the credit hour.

It is an educational unit, and represents the basis around which the instructional activity of the university centers. I do not believe it prejudices any department. In my own work I have found the "semester credit hour", representing one credit hour for a class for one semester, disregarding the number of students, a most serviceable unit. This is the unit for which instruction, and to a considerable degree facilities, must be provided. The number of students may under certain conditions vary materially without necessitating any change in staff or facilities, so long as the same number of "semester credit hours" are taught by a department. Therefore I commend it as a unit likely to give serviceable figures. We are not running factories, and I do not believe in using industrial cost units in our accounting systems.

With respect to enrollment, I am frankly less concerned. So long as the same plan for computing it is followed year after year, and the figures come from reliable sources and are in accordance with the official records of the university, I can not see much cause to worry. Our registrars generally compute enrollment in uniform ways. Their figures are official and should be used. Where short courses and part time instruction is involved, obviously due adjustment must be made in cost analysis; where instruction is uniformly on a full time basis, I believe in using the peak enrollment, after allowing for those dropping out very soon after registration. It is this total for which a staff and facilities must be provided even if all do not complete the year or semester.

Some years ago, Mr. Thorkelson expressed the opinion that the most important figure in all this matter of unit costs is the instructional salary expense. I have come to recognize the force of that opinion. This item constitutes the major part of our teaching expense. It is the item

first calling for adjustment as enrollment increases. It constitutes on the average 75% of our departmental budgets, and 50% of the total operating expense of the university. Unit figures of instructional salary expense will be found very useful, in certain ways more useful than any other figures.

Considerable emphasis has been placed by various persons on the desirability of a uniform procedure for unit expense analysis in all institutions. On this point I feel that we should leave the matter entirely with our Presidents to make the move. If they jointly feel that we should undertake to compile and exhibit in a comparative way the unit expense of instruction in our various institutions then and only then would we be justified in undertaking any such procedure. Should this be done it would be my earnest hope that our Presidents would call upon us as their business and accounting officers to devise, subject to their approval, a uniform plan of procedure to be followed in all cases. I would not assure that the results under such conditions would be comparable. In fact I am certain that they would not be strictly so. However, under such a procedure all would be satisfied with the method and would understand the limitations of the results.

While we should welcome, as stated in a letter from one of our officers, every attempt to add to the knowledge of this subject I shall continue as always in the past to oppose having any system of procedure thrust upon us by any individual or agency in matters of this kind. We should in my judgment proceed as to our individual problems in the way that in our respective judgments best meets those problems, and with respect to our joint problems and activities in the manner in which we mutually agree is best for our conditions and situations, submitting

to no commission, board or other agency the right to tell us what we shall or shall not do in this matter, and following their recommendations only with due caution.

Urbana Ill.
May 21, 1925.
LM:LCM

Section 13
ANALYSIS OF EXPENDITURES
DISCUSSION OF PAPER PRESENTED BY LLOYD MOREY

W. T. Middlebrook

My assigned task is to provoke discussion. I propose to do so by presenting the other side of the question. I trust I am fulfilling the anticipations of our committee who have the programme of this meeting in charge. Through Mr. Morey's courtesy, a draft of the paper which he has given you has been in my possession for the past five days. I have, therefore, had an opportunity to effect some brevity in my remarks by reducing them to written form.

I should perhaps explain that I am a relatively recent recruit from industry. If I have not been sufficiently imbued with the academic atmosphere to appreciate the spiritual purpose of our University work, I trust that you will make due allowances. I want to make it clear, however, that I have a wholesome respect and regard for the product which we are turning out. I propose to exert such energy as I may have to reshape any tool, however, lowly its origin, which will promote continuance and increase of this output.

I am convinced that cost accounting, in the form of educational unit costs is such a tool. It can, without too great difficulty, be reshaped to meet some real needs in University administration. It is not a cure-all nor the secret to success in the solution of the problems of educational finance but it can logically occupy a place in our kit of tools which is now too apparently empty. I would not give it undue prominence, except as overemphasis may more effectively attract attention to its importance.

Mr. Morey has discussed in his paper four possible uses of unit costs. They are:

1. As a basis for requesting public and private financial support.
2. As a basis of determining the "internal budget."
3. As a basis of comparing departments doing work of a character at least somewhat similar.
4. As a basis of comparing departmental unit costs of one institution with those of another.

A further possible use is implied, namely, as a basis of comparison of one years performance with another.

We are told that the figures of unit expense are so involved as to virtually preclude analysis or interpretation by persons not entirely familiar with its organization and procedure. Is there not confusion here between methods and results? The results of the necessary detailed compilations may be very simply stated. The individual interested sufficiently in ascertaining methods will ordinarily be able to comprehend an explanation. Certainly unit costs could be as easily understood and interpreted as the financial reports which we annually issue for public consumption.

To be sure, unit costs are not of themselves a full or fixed basis for legislative assignment of funds. I do not recall that any advocate of unit costs has attached to them this attribute. In no business have cost figures supplanted general accounting or statements of aims, policies and accomplishments. Battles are not won by one arm of the service. All combined contribute, in some degree, to final success.

Presentation of unit costs will inspire confidence. While they may attract attention to higher costs in certain departments, they at the same time, warn the University officers of the necessity of preparing an adequate defense. We cannot continue on a policy of "knowledge for those who know." The strategic advantage will be ours if we anticipate the request for financial data coupled with the record of accomplishments. Undoubtedly, we will suffer temporary reverses. The ultimate success of such a policy can hardly be questioned.

I am, of course, compelled to agree that unit costs, containing items of administration, physical plant and other overhead and indirect expense cannot be used as a basis for withholding or granting budget allotments to departments. No administrative officer should presume to censure any departmental officer for costs over which he exercises no control. The unit cost which includes all elements of expense is an item requiring administrative defense. The departmental officer is responsible only insofar as analysis indicates mismanagement of funds directly allotted to his budget. Even here the administrative officer will have difficulty in shirking responsibility if adequate budget control is exercised over current expenditures.

The question is raised, "Can cost figures be made the basis for an internal budget?" This is an extreme statement of any claims made as to the value of unit cost figures. A much fairer statement would be, "Can cost figures render any valuable service in the preparation of an internal budget?" It is my experience that they can, providing the technique of accumulating them is on a proper basis. Unit cost figures, to be of value in the determination of internal budgets should

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5. Special Departmental Expenses: Special Departmental expenses which include the expenses of the Federal School, Summer Session and Short Courses are distributed to departments on some basis. We use Student Clock Hours as a basis.

6. Credit for Departmental Income: Each department is given credit for income directly derived, such as sales, breakage, and the like.

7. Depreciation on Departmental Equipment: The equipment of the department is depreciated at a given average percentage. We use seven.

An analysis of cost information collected under these headings together with either the student clock hours or student credit hours given by the department during the year should indicate points of weakness. The remedies for such weaknesses will not, of course, be obvious. Further investigation will be necessary. A high unit cost for departmental direct expense may indicate a number of things, such as overstaffing, extravagant consumption of supplies or serious dropping off in attendance. Even when any of these conditions are discovered, further analysis may be necessary in order to make clear desirable and corrective measures. Overstaffing may be due to a smaller number of students or to a large number of divisions. The latter may be attributable to a wrong department policy. Such conditions are capable of administrative review and remedy.

Educational unit cost figures will perform no greater or less service than similar figures in industry. They provide the red flag along the way. They will indicate that it is necessary to stop and examine before passing.

Unit cost figures will reflect differences in the management of departments whose work is to all outward appearances of much the same character. This alone is of real service. It will indicate where in-

vestigation into departmental methods is needed. I would not have you compare unit costs based on all items of expense in making a departmental review of the institution. No useful service could be served by such a comparison. Clearly the unit cost containing those elements of direct departmental expense may most profitably be compared. Furthermore, no conclusion should be drawn with regard to the efficiency of any particular department without a full examination into the causes for the difference in cost. I would not quarrel with any department whose unit cost was high due to the inclusion within its ranks of men of distinction. What we want to know is the reason for the differences and whether or not the difference is justified.

The next question discussed is whether or not unit costs can serve as a basis for comparing departments in different institutions. It has been pointed out that institutions vary in service rendered, physical and financial advantages, in organization, curricula, etc. Granted, they do. There is no controversy on this point. Is there sufficient similarity to warrant comparison of results? Many lines of business are daily demonstrating that there is a value in comparing results however unlike their natural and other advantages may be and don't overlook this - the members of these associations are in direct dollar competition with one another. It has been stated, and correctly so I believe, that there are few enterprises so similar in their natural advantages and methods of operations as educational institutions, particularly those state institutions which are represented here. We have demonstrated that our problems are common ones and we are approaching common solution. Comparable cost data which will emphasize the difference in our methods of teaching and business administration will, if intelligently compiled and analyzed, indicate many opportunities for economy.

In the early part of the paper which you have just heard, the statement is made - "There has been very little uniformity of approach to the problems either as to the method to be employed or the desirability of the whole matter." This is the problem in a nutshell. It does not represent insurmountable difficulties. Agreement may be had on vital points without robbing any institution of its individuality. Criticism has not had as its goal identical forms or identical methods of accumulation. It has dealt only with the results. We need figures which will segregate to all departments, buildings and purposes, salaries, supplies and expenses, repairs and capital. We need to go little beyond this point but what we must agree upon are the bases of allocating the cost of overhead departments to teaching departments, the method of accumulating a student consus of either student clock hours or credit hours and the method of accumulating teaching loads.

It has been stated that unit costs, including depreciation, for example, are fundamentally impracticable. I take exception to this statement. They are wholly practicable. They have been compiled and they have served a useful purpose. It might be pointed out, however, that unit cost figures excluding depreciation figures can be compiled and presented at the same time. This is exactly the procedure which we follow. The fallacy seems to persist that the only unit cost figure is the final one which includes all elements of direct and indirect expense. Unit costs of any particular phase of a business may be accumulated, analyzed, and used to advantage.

It has been stated that our institutions are no longer wholly teaching institutions. This is, of course, a fact and should be recognized without regard to whether or not unit cost figures are compiled. The salaries of members of the staff engaged in both teaching

and research should be divided in current accounts.

I have no comment to offer with regard to the controversy as to the relative advantages of the student clock hour and credit hour beyond this - if our figures are to have any value off the Campus they had better be compiled on the basis of student clock hours, a unit readily understood as opposed to the credit hour which is a device for giving credit for work done in the University classrooms or laboratories or in the student's room at no expense to the University. After all, are we not trying to measure University expense?

I do not believe that it is timely to advise business officers of this association to prepare figures which will have only local significance. Such figures will, eventually, through some avenue or another, reach the public and be made a basis for comparison between institutions. It goes without saying that the comparison will be both unfair and unfavorable in many instances simply for the reason that the figures were prepared on bases which were not uniform.

I feel, further, that the members of this association should endeavor to evolve uniform methods for educational cost findings. To what extent these methods should be employed and to what extent figures so accumulated should be disseminated are, in my judgment, purely matters of institutional policy.

Section 14.

"UNIT EDUCATIONAL COSTS"

by

Horace S. Ford, Bursar

Massachusetts Institute of Technology

Mr President and Members of the Association:

I have been requested to follow Mr. Morey on the subject of "Unit Educational Costs", but before I do, so, I desire to extend to you once more hearty greetings from your sturdy young brother, the Eastern Association. I say sturdy because our institution membership has increased from about 40 to nearly 80 during the past year, and we hope our usefulness has kept pace with our growth.

Our Association owes you a great debt, because had it not been for the good work which your organization accomplished in the years prior to 1921, it is doubtful whether, with our inherent eastern aloofness, we should have been able to get together at that time - or at all - with the resulting benefits to our members now freely admitted by all.

We are looking forward with much anticipation to meeting with you once again, at Columbus, Ohio, in 1926 - as tentatively agreed upon by both associations at the memorable conference at Pittsburgh in 1923 - and renewing the many pleasant personal contacts of that meeting.

This Unit Cost discussion reminds one of a three ring circus-- with this difference, that in the circus all three rings show at the same time. This leads me to wonder whether the members present would not have gained more from this discussion, or at least come away more favorably impressed with the subject, if the chairman had

started Mr. Morey, Mr. Middlebrook and your humble servant speaking at the same time, with instructions to continue until his gavel fell. But perhaps this wouldn't do.

However, speaking of the circus reminds me that it is a great pity that some of our pioneers in Unit Cost Accounting were born too late for their unique services to be put to good use by the late Phineas T. Barnum.

Think of the possibilities of Unit Costs as applied to the "Greatest Show on Earth!" Two of these possibilities preclude any others that I can readily call to mind. Consider Mr. Barnum's joy, had he been able to visualize the relativity-- expressed thru unit Costs-- of a cubic yard of hay to a cubic yard of elephant--or better still-- the allocation of the "noble smell" emanating from the equally noble camel in terms of "Circus Ventilating Hours!"

But I fear I shall be misunderstood by these near-relevant suggestions. I wish to say that, like Mr. Morey, this is to be my final word on this subject--however, I mean for this year, reserving the right to change any or all of my opinions at any time thirty days after duly filing written notice of my desire to make such changes--as ordinarily required of a tenant-at-will.

There has been a fair amount of satire, if not actual scorn, directed at work of this sort that has been attempted during the past few years, but I assure you at the outset that I have no intantion of approaching the subject with any idea of scoffing at it.

I say this for the very good reason that, from the results available from five consecutive years of work at M.I.T. in gathering the information necessary to arrive at Unit Educational Costs, we have come to realize the value of this information and are actually using it by direct application to the consideration of our Budget for next

year.

Any Business Office of an Educational Institution and particularly any Budget Committee of the Trustees, or any Legislative Committee readily agree that any information that will assist in the consideration of an annual Budget that runs into millions is something not to be waved nonchalantly aside.

We admit that in the beginning we had no more than the "simplicity to wonder" and the willingness to investigate for ourselves the possible worth-whileness of pursuing this work- the two presumable characteristics of the true follower of research. We were neither requested nor ordered to do this. Whether we have the "power to generalize and the capacity to apply" the other necessary qualities remains to be seen. We had no fixed stars to shoot at - no defined usage for any results that might be obtained.

To begin with, we were aided greatly because practically all our Instruction is given in a single large building of modern construction, because all our students, with few exceptions, take prescribed Courses of Study in Engineering or Science, (the only deviations being a moderate sprinkling of General Study Electives,) because all our Class Schedules are laid out and controlled from one office, and because all students pay the same fees, at the same time, and take substantially the same number of clock and credit hours - 48 credit hours per week - 15 weeks to the term - 2 terms a year.

All these factors helped, of course, to simplify our task but it would have appeared mountainous had we not a short time before put into operation a modern system of registration that not only now succeeds in getting the right men into the right classes at the first exercise, but also gets the record of their complete and final class-

room distribution back into the Registrar's hands at the end of the first week, and accomplishes both with a minimum of irritation and with practically no work whatever on the part of the Instructing Staff.

What we did not foresee, but what developed after the system was in operation was that we had unwittingly compiled in the course of registration all the necessary information, with two exceptions, for such Unit Teaching Data and costs as we had set out to secure.

These two exceptions were (1) the salary list, easily obtainable at the Bursar's Office, and (2) the distribution of the individual Instructor's time, - which we secure once each term on a single form, easily filled out by the Instructor in a few minutes.

When we started, this sheet required a very detailed statement from the Instructor but we soon found that it was much too elaborate. We have therefore boiled this down considerably and now our questionnaire merely requires information as to the subjects taught by hours per term, and in addition a summary on a weekly basis of the distribution of the Instructor's time in Class Room, Lectures, Drafting Room, Laboratory, Conference Research and such Academic Administrative work as is performed. We do not use the time spent in Conference Research or Academic Administration in arriving at our Teaching Costs regardless of the fact that Conference work in many subjects, English for example, constitutes a large part of the Instructor's day.

This whole matter of contact with the staff is a point to be borne in mind, for it might be stated axiomatically that the measure of cooperation that you may expect from the Teaching Staff in the matter of Unit Educational Costs is approximately in inverse ratio to the amount of irritation and irksome administrative routine forced upon them by ill considered plans for registration and class enrollment.

We had a further ace up our sleeve (and the real difficulty with an ace so concealed is to get it into the deck) in the young man who, with other duties, is responsible for the work of gathering and compiling this cost information. He was hired in 1921 by the Bursar's Office specifically to organize this work - but we soon found that the very task itself had given him such an insight into the Registration, Records and Class Rolls that we promptly made him Assistant Registrar and he took the unit Cost Accounting right along with him.

No clerks are assigned specifically to this work thru the year. All the necessary assistance is derived from the regular force in the Registrar's Office. There is, at mid-term, a few days' lull in the regular work and at this period the force is turned loose upon the Educational Costs. Much of this is a matter of adding machine and slide rule operation. You will look in vain for any expense item in our annual report on this account--the total cost to us being too trivial to record.

At the close of the year, the results of the two terms are put together and the tables of comparison with previous years are made up--long before the date at which they are needed.

Now I haven't the slightest intention of describing to you this compilation work in detail. I only wish to repeat that but one single-sheet questionnaire form per term goes to each member of the Staff thru his Department Head and comes back via the same route. The instructor furnishes detail about himself only - nothing whatever regarding the makeup of his sections. The Registrar has that information available without requiring the Instructor to lift a hand. By "make-up" I mean, for example, a section in second year Mathematics, which might include

6 Mechanical Engineering Students, 4 Civils, 4 Electricals, 3 Miners, 2 Aeronauticals and 6 others from the pure Science Courses.

We had difficulty at first, even with this minimum of co-operation required, in convincing the staff that their signed statements were not used against them. The truth was, if we had been utterly candid, that we hadn't the slightest idea how we were going to use the information obtained, or whether we would be able to use it at all. We are in a better position to answer that puzzle now.

And I want particularly to emphasize this - that we, at present concern ourselves solely with Teaching Costs.

We have not yet discovered how to apply effectively to any good purpose such items as "Square Foot Hours", "Student Ventilating Hours", "Percentage of unoccupied seats in Class Rooms" and particularly any data that runs into five-place decimals.

We have a single compact plant. We propose to maintain it in good repair, to furnish heat, light, power and ventilation throughout, to provide as good building and janitor service as possible, and to furnish and equip the whole to meet our requirements. The fact that certain class rooms, offices, laboratories and drafting rooms are unused wholly or in part at certain times of the day does not greatly concern us.

We are not concerned because we feel sure that in our case no redistribution of classes, or teachers or teaching loads will have any noticeable effect in the general overhead of what after all is the principal business of an Educational Institution- namely that of providing the best instruction possible in the subjects which it offers. So we leave the overhead for separate consideration. Overhead, as far as Educational Costs are concerned, is like an elephant--(more circus similies)- fine big game to shoot at but bad

for the digestion.

Institutions which, unlike ourselves, carry on class and laboratory work in many separate buildings may find that a redistribution of classes will provide more space for old departments or needed space for new ones--but this would appear to be an easy matter to settle, without dragging in Unit Costs.

The facts we do go after and which we feel can be used to advantage, are as follows:

- (1) The Teaching Salaries,
- (2) The Student Clock Hours, (or Student Traffic)
- (3) The Average Size of Classes.
- (4) The Average Teaching Hours of Instructors
- (5) The Number of Students taking Subjects.

and last -- also possibly least --

- (6) The Teaching Cost - per Student Clock Hour.

all except (3) and (4) by Departments and Courses.

(It should be explained here that, at M.I.T., Departments correspond to the Schools of a University while the term, "Course", does not denote a single subject, as ordinarily, but instead a prescribed list of subjects - with electives taken sequentially and leading to a degree in Engineering or Science.)

It would appear to be obvious that a Head of a Department, if supplied with the information under the first five headings mentioned--information which he is supposed to have some idea of, but which, more frequently is not readily available to him-- would unconsciously or otherwise find such data both useful and reassuring as a guide, when seeking for changes in his Department, increased salaries, new teachers or larger appropriations.

We go so far as to believe that the state of mind that is created by the possession of this information by our heads of departments is worth anywhere from \$20,000 to \$30,000 annually in actual saving in our Teaching Budget each year. We have no figures to prove our contention, and perhaps you will say that I am indicating two "states of minds in this, but nevertheless, we believe it to be a fact. Columbus believed the world was round without ever having circumnavigated it.

It would appear to be equally obvious that a Budget Committee or Legislative Committee, tearing its hair in consideration of the excessive appropriations requested, would find, in such information, a considerable amount of solid ground upon which to base its conclusions.

But when you come to emply the item of Costs per Student Clock Hour it is well to ponder a minute. You will recall that I listed them last and labelled them "least" in my group.

The real problem you must face with "Clock Hour Costs" is not how you get them or what results you obtain, but how these results are used.

For example, my sheets tell me that last year in Mechanical Engineering this item was 31.1 cents per hour and in Electrical Engineering 53.6 cents per hour- almost twice as much. But does that tell whether the student in Electrical Engineering gets as much - or twice as much - or half as much, in his hour of Teaching Contact? Nor does it tell whether or not the large group system of ~~one~~ department accomplishes the same result as does the small section plan of another.

The point I am making is, that any isolated consideration

of Student Clock Hour Costs must of necessity leave out the question of quality of teaching as against quantity. There is perhaps a desirable mean for both, even in Educational Institutions, but unlike a manufacturing plant where the quality of the product is standardized, and costs are cut by quantity production and otherwise as far as possible,--yet maintaining the standard--no one can standardize teachers or teaching or their products, the undergraduates.

Who can predict by a comparison of Student Clock Hour Costs where latent quality in the undergraduate will blossom into tried capacity in after life and what departments are likely to lead in bringing forth such quality? And after all is not that the most important consideration?

So with these cautions in mind, I have no hesitation in suggesting to Business Officers and Committees that they take care to see that Student Clock Hour Costs do not blind them to the more applicable benefits that accrue from a careful consideration of the informatory data gathered in producing such costs.

Don't hurry to rush your findings into print. The greatest use to which they can be put, in my opinion is right within your own institution-as an aid to your department Heads, your Budget Committees and yourselves.

Comparison with other institutions is for the most part futile. You will find little to console you and much to disturb your peace of mind. You will find a different terminology, different physical and academic conditions, different values set upon various compilations and a lot of so called "results" that not even a statistical Service Organization could sell for waste paper.

Please understand that I am entirely sympathetic with any study of Unit Educational Data and Costs and any practical application of them, provided the application is internal. And I believe that any Institution of any size would do well to take steps to secure such information as can be used to improve its own condition.

But in tackling this, I cannot think of any better set of general rules than a slight paraphrasing of some laid down by Mark Twain in an essay on Fenimore Cooper's Literary Offenses.

It is peculiarly appropriate that we turn to Mark for assistance, and at the same time, express our profound gratitude to the State of Missouri for giving him to us, as a cherished heritage for all time. (He was born here 90 years ago.)

I am not ashamed to confess here, that, at home, I always have 25 volumes of Mark Twain a few feet from my bed, and I venture the assertion that his tales have all other "bed-time" stories beaten to a frazzle! And that goes for "twin-bed-time" stories also.

This matter of Mark's birthplace is an important thing to set straight in your minds on this occasion, because I have been worrying for fear our good friend Sproul from California would rise and claim him either as a bona fide (or adopted) "native" son. And you well know that when California sets her brand on anything, it is mighty hard to sell that article under another label.

Behind his raillery there is ever a background of hard common sense- and that particular quality is needed by anyone posing for his first dive into the whirlpool of Unit Educational Costs.

Mark had no particular admiration for Cooper as a writer, and none whatever for his best known Leather Stocking Tale. He cites 19 rules governing literary art in the domain of romantic fiction,

and goes on to prove that Cooper violated 18 of these in this book.

We shall require but 6 - and I should like to give them first in Mark's own words (somewhat abridged) and then paraphrase them in order to make their application in our case more apparent.

- (1) A Tale shall accomplish something and arrive somewhere.
- (2) The episodes of a tale shall be necessary parts of the tale and shall help to develop it.
- (3) The personages of a tale shall be alive - except in the case of corpses - and always the reader shall be able to tell the corpses from the others.
- (4) The personages in a tale - both dead and alive - shall exhibit a sufficient excuse for being there.
- (5) When the personages of a tale deal in conversation the talk should sound like human talk, and have a discoverable meaning - also a discoverable purpose - and remain in the neighborhood of the subject, and help out the tale -- and STOP! when the people cannot think of anything more to say.
- (6) The personages in a tale shall confine themselves to possibilities - and let miracles alone.

Now let us see how they might look if directed at Institutional Business Officers or Legislative Committees venturing along the path of Unit Educational Costs.

- (1) Unit Educational Costs shall endeavor to supply information not hitherto available, which should be useful to Teachers, Heads of Departments, Budget and Legislative Committees and Business Officers - not necessarily to the outside world (nor Upton Sinclair)
- (2) The information gathered shall be necessary and relevant and shall be accomplished with a minimum of irritation to the Staff and all others concerned.
- (3) The figures compiled shall relate to Teaching Costs which may be presumed to vary with the Student Traffic, and not to administration, Plant or

other fixed Overhead costs. These latter are presumed to be always under the strictest scrutiny.

- (4) The data gathered and costs compiled - whether directly applicable or merely informative, shall exhibit a sufficient excuse for the work involved.
- (5) When Unit Educational Cost proponents expound their methods or display their findings, the terminology shall be understandable, at least to other Business Officers, and have a discoverable purpose - and the costs shall be within the ordinary grasp and not run into five place decimals - and the tables drawn up shall STOP! before they become a bog of incomprehensible detail.
- (6) The advocates of Unit Educational Costs shall content themselves with being useful to their own Institutions and not proclaim their results as offering a panacea for all the financial ills of other Institutions.

With the aid of these six simple rules I am sure that any Institution may venture to assail the task of Unit Educational Costs with much greater assurance that we had when we started, and in their spirit will find much of interest and actual value that has not hitherto been apparent.

At least you assert that I haven't lived up to these rules very well myself, I can only reply that when ^I arrived at this point in the preparation of this paper, the last part of Rule 5 struck home most forcibly - and I am going to STOP! - because I haven't anything more to say.

Section 10.

"FISCAL SUPPORT OF STATE UNIVERSITIES"

by

C. H. Thurbor, Exocutive Secretary,

University of Buffalo.

Many state universities and colleges, like privately endowed institutions have been severely pressed for funds during recent years to carry on their programs. During the eleven years following 1910 the regular enrollment in the state institutions listed in the United States bulletins, "Statistics of State Colleges and Universities" increased 114% while the regular enrollment at Michigan and California had increased five fold during the period. The strain on the institution to provide instructors, buildings and equipment, and to offer high grade instruction was tremendous. As ever during such periods of stress,--and they have not passed, the question of increased income was constantly on the minds of the responsible officers. Since the value of the dollar was practically cut in two and enrolment more than doubled it was evident that to keep up the quality of instruction the income in 1921 should be over four times as large as in 1910.

Administrations unable to secure proportionate funds from the State either through the mill tax or other appropriations considered the possibilities of student fees. Many educators had assumed that higher education offered by State institutions must be free because of the State laws. However, an investigation by the writer in 1922 of 84 representative institutions shows that tuition and fees must be charged or may be fixed by the trustees at over two thirds of these institutions. In many other institutions fees of considerable size are collected under one caption or another.

A comprehensive study of fixed charges to students in Arts and Sciences and general courses in the State institutions showed that these charges had increased approximately 100% during the 1910 to 1921 period during which time costs had increased in approximately the same ratio.

From the beginning almost it was customary to make higher charges for the professional courses of law, medicine, dentistry, pharmacy, and engineering. Investigation of 24 representative institutions showed that the average charges for residents and non-residents in these fields had approximately doubled during this same period and the trend was similar to the trend of charges in privately endowed institutions though the fees were lower.

Thus the State universities have come to lean more heavily on income from student tuition and fees. One fifth of the income to one of the larger of these institutions comes from this source. The real problem in the matter then lies in providing for those students who are intellectually superior, but who have not the financial resources sufficient to care for a higher education. All agree every precaution must be taken to preclude a situation in which the wealthy only can take advantage of college or university education. This means that loan funds or deferred payment of tuition or both must be arranged by the institutions so well qualified students shall be provided for.

It seems reasonable, too, that those students who can well afford to pay should pay a considerable part of the cost of their instruction. This is the theory of modern taxation which posits that an individual should help support his government in accordance with his ability to do so. Now the states are being

called upon to assume, laterally, increasingly heavy fiscal burdens for the public welfare. Though our taxation systems need much revision, yet it appears doubtful if our higher educational institutions may expect a larger proportion of the total state expenditures in spite of the huge increases in state university enrolments. A comparison of total state appropriations with the appropriations of the state to her higher educational institutions in eleven states shows the state universities and colleges were getting an increasing proportion of state expenditures from 1895 down the 1910 to 1915 period. Since that period the educational institutions have done well to maintain the high percentage they obtained during the period mentioned and in many cases the percentage has decreased.

The question frequently still arises as to whether the mill tax which is a ratio or ad valorem tax and a part of the general property tax is the best form of major support to a state institution. It is my position that it is not and for various reasons. First these institutions now need and secure in many instances the largest appropriations that go to any single state expenditure. Of the eleven states previously mentioned the proportion of the total state appropriations going to higher education varied from $1/12$ in Minnesota to $1/5$ in Iowa in 1919. Now any institution that must have such large amounts for support needs the entire taxable wealth of the state as the base for taxation and not merely the general property tax which year by year is becoming narrower as the states change from rural to industrial communities. As this transition takes place the general property tax breaks down as the sole method of taxation. Various forms of wealth are exempted from this tax and are reached by means of various business and corporation

taxes, gross receipt, severance, and production taxes, income, and inheritance taxes, and taxes on intangibles and personalty. Such taxes have been exempted from the former grand roll assessment on which the general property tax and mill tax, were levied. Consequently the revenues will not increase from a base that tends to become narrower continuously, but the needs increase all the time.

Lastly it should be urged that the state university should justify its expenditures as fully as any other publicly supported institution. With a stated income there is not the necessity of keeping the people of the state fully informed concerning the program which the institution is carrying out and this latter is a necessity if the university is to lead the state and continue to hold the support of the taxpayer. That institution will enjoy the greatest confidence and in return gain the fullest measure of support which keeps its taxpayers most fully informed concerning its activities in their behalf.

The state will doubtless continue to provide buildings and equipment and carry the overhead, but the trends of increasing student charges indicates that the student will be called upon to bear a larger part of the cost of his education than at present.

ture	Graduate School	
	Res	Non Res
30		
	120	120
	6100	6100
	(o)	(o)
75	50	75
	60	95
112	30	30
	20	20

COMPARATIVE FEE SCHEDULE

1924 - 1925

Institution	Arts and Sciences		Commerce and Business Admin		Law		Medicine		Eng-ineering		Dentistry		Pharmacy		Agriculture		Graduate School		Free Scholarships in use		Matriculation	Diploma	Health	Athletic	Union
	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	No.	Amount					
Arkansas a-b		30			60	90	40	90		30						30			25	800	10	5			
Chicago	225	225	255	255	225	225	240	240									180	180		Approx 211,095					
Cincinnati-e		150			200	200	300	300	150	200							6100	6100	25	464,035					
Colorado-b	45	90	45	90	75	105	165	270	845	890			45	90			(o)	(o)	235	10,475					
Illinois-a	50	75	50	75	75	112.50	165	206	50	75	160 165 180 195	190 195 210 235	125	150	50	75	60	75	1333	87,297					
Indiana	60				75	112	175	250									60	95	140	8,680					
Iowa	70 90	110 130	90	130	100	140	175	350	90	130	175	250	90	130					479	19,169					
Iowa State College	h72	h112					172	1112	90	130					72	112	30	30	590	43,600					
Kansas	20	30			35	45	35	45	20	30			35	45			20	30			10 15	10	6		
Kentucky a-b	40	50			50	80	100	100	40	50													2	c10	
Missouri	50	50								70					40	50	u-v	u-v	Service fee				5	10	c10
Michigan -Men	85	110	85	110	110	130	180	260	100	125	180	260	100	125			85	110	Some		R.10	10	6	7.50	6
Michigan -Women	80	105	80	105	105	125	175	255	95	120	175	255	95	120			80	105			NR.25	5	5	4.50	5
Michigan-a Agricultural	h190	h135							78	123					78	123	t-4	t-4							
Minnesota	60	90	90	120	90	120	180	210	90	120	180	210	105	135	60	90	30	30					5	5	7.50
Missouri	50	70	50	70	50	70	50	70	50	70					50	70	50	50	106	5,300			5		
Montana	q30	q75															30	75			5	5	7.50	c15	
Nebraska	1-1 1-3	1-1 1-3	1-1 1-2	1-1 1-2	1-2 1-3	1-2 1-3	165 160 150	185 160 150	1-1 1-2	1-1 1-2	150 170	150 170	1-1 1-3	1-1 1-3	1-1	1-1	1-1 1-3	1-1 1-3	Some		5	10 20			
North Dakota	25	25			50	50	50	100	35 25	35 25							(u)	(u)							c-2
Ohio	45	150			100	205	150	255	45	150	150	255	45	150	45	150	45	45			10	5			3
Ore	50	100							50	100			50	100	50	100	50	100	104	1,500	5	5	4		8
Texas	20	30			20		45	150	30	30			40	150					16	3,500	10 30	4	5		
Utah-m	38	63			98	123	113	138	38	63			88	113											c11.50 c12.25 c12
Utah Agri-cultural	28	53	28	53					28	53					28	53			10% Op-tion Serv-ice fee	Entrance fee		5	6		
Washington	45	150			75	180			45	150			45	150			(u)	(-u)				5	1		9
Wisconsin	24	148			24	148	24	148	24	148					24	148	(u)	(u)							
Wyoming-b	22.50	22.50	22.50	22.50	22.50	22.50			22.50	22.50					22.50	22.50	(u)	(u)	54	1,872	2	5			12 n3

a. Extra for music
b. Extra for laboratory
c. Covers all student activities
d. Fellowships

e. Cincinnati has an incidental fee of \$30 for citizens and \$40 for Non-residents

f. Medical School only
g. Included in the regular tuition totals listed in columns to the left
h. Industrial Science
i. Veterinary medicine
j. Home Economics

k. Special large diploma only
l. Per credit hour
m. Additional incidental fee
n. Student loan fee
o. Releases from Matriculation fee
p. Additional for Migrant Students

q. All schools
r. Includes laboratory
s. Also Applied Arts
t. Per course
u. The same as the College in which the work is taken
v. School of Engineering, Non-resident fee of \$30

CHANGES CONTEMPLATED FOR
1925 - 1926

Institution	Arts and Sciences		Commerce and Business Admin		Law		Medicine		Eng-ineering		Dentistry		Pharmacy		Agriculture		Graduate School		Free Scholarships in use		Matriculation	Diploma	Health	Athletic	Union
	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	Res	Non Res	No.	Amount					
Michigan Agricultural	a105	a150					b105	b150	105	150					105	150	c10	c10							
Ohio State					105	210	180	235																	

Changes contemplated rather in 1925-1926

a. Home Economics
b. Veterinary Medicine
c. Per Course

DISCUSSION OF PAPER BY MR. SHIRLEY SMITH
ON THE MAKING OF A UNIVERSITY BUDGET.

By

Albert J. Lobb,
Comptroller,
University of Minnesota,
Minneapolis, Minn.

Apparently the theory of evolution is now making great progress. Mr. W. J. Bryan is reported to have referred to a student in an eastern college as: "You son of an ape". Mr. Shirley Smith now refers to university budgets as having certain definite biological relationships to all of their progenitors. He also accurately refers to each budget of the university as being a forecast of the next fiscal year, and when actually placed in operation, it becomes a moving picture of all financial transactions of the institution, and, when the year is closed, it becomes in retrospect a valuable part of the accounting system. The actual expenditures can be reconciled with the forecast and used in determining the budgets for succeeding years. There is a difference, however, between the use of university budgets in operation as a moving picture and the use of moving pictures in industry. In industry the moving picture and accounting are used in order to promote efficiency and the shortest possible operation for production. When the accounting system finds that certain departments are losing money, a drastic remedy is applied to correct the situation, or the department is dropped from the organization. In educational institutions the closing of a department or the dropping of a course is a very unusual procedure. When new departments are requested, new money is demanded rather than the transfer of funds from some course or department that has been dropped. In fact an educational institution may have outgrown its usefulness and the necessity which caused its creation and still it will persist in attempting to function. I was told recently of an institution that had outgrown the conditions which caused it to be established,

and by a vote of the trustees its affairs were to be terminated and its property disposed of, but a few enthusiastic alumni raised sufficient funds to continue the existence of an unnecessary institution. It is very difficult to face the hard facts concerning the financial administration of educational institutions.

There is no escape, however, from the fact that the public is now demanding an educational accounting for the great sum of money which has been entrusted to our educators. There will be an accounting. The only question in my opinion is whether this accounting will be made by the friends of the institutions who are familiar with educational policies or whether the work will be done by outsiders who make examinations of institutions with a very definite theory which they seek to prove. We are always confronted with the great difficulty of an examination from within the institutions. Some years ago I was associated with Dr. Spaulding, now Dean of the College of Education at Yale, and he requested that the high school teachers of the city of Minneapolis, where he was then superintendent of schools, prepare a statement concerning the content of the courses which they were teaching and the benefits which the students were supposed to receive from these courses. The reaction of the teachers was most astonishing. Many of them resented the request on the theory that the fact that they were teaching the courses was sufficient reason that they were of benefit to the students. Few of the teachers made any serious attempt to state either the content of the courses or the supposed benefits to the students. As a matter of fact, it is a serious question whether courses in some of our institutions are taught because of the need of the students and the benefits to the commonwealth or whether the course is offered because an instructor is prepared to teach a given subject and interested in that particular field.

Hitherto our universities have been somewhat of a mystery to the uneducated layman, but today conditions have changed. The graduates of these institutions are the neighbors and relatives of a great proportion of our citizens. Those neighbors and friends know that many a university graduate has not been benefited economically by his university education. Furthermore, judging by what they read, their conversation, their habits of life, these neighbors have serious doubts as to the educational value of the university training that has been given. Many of our public officials and many members of our legislatures are former students or graduates of our universities. The old mystery or halo about the educated man no longer exists.

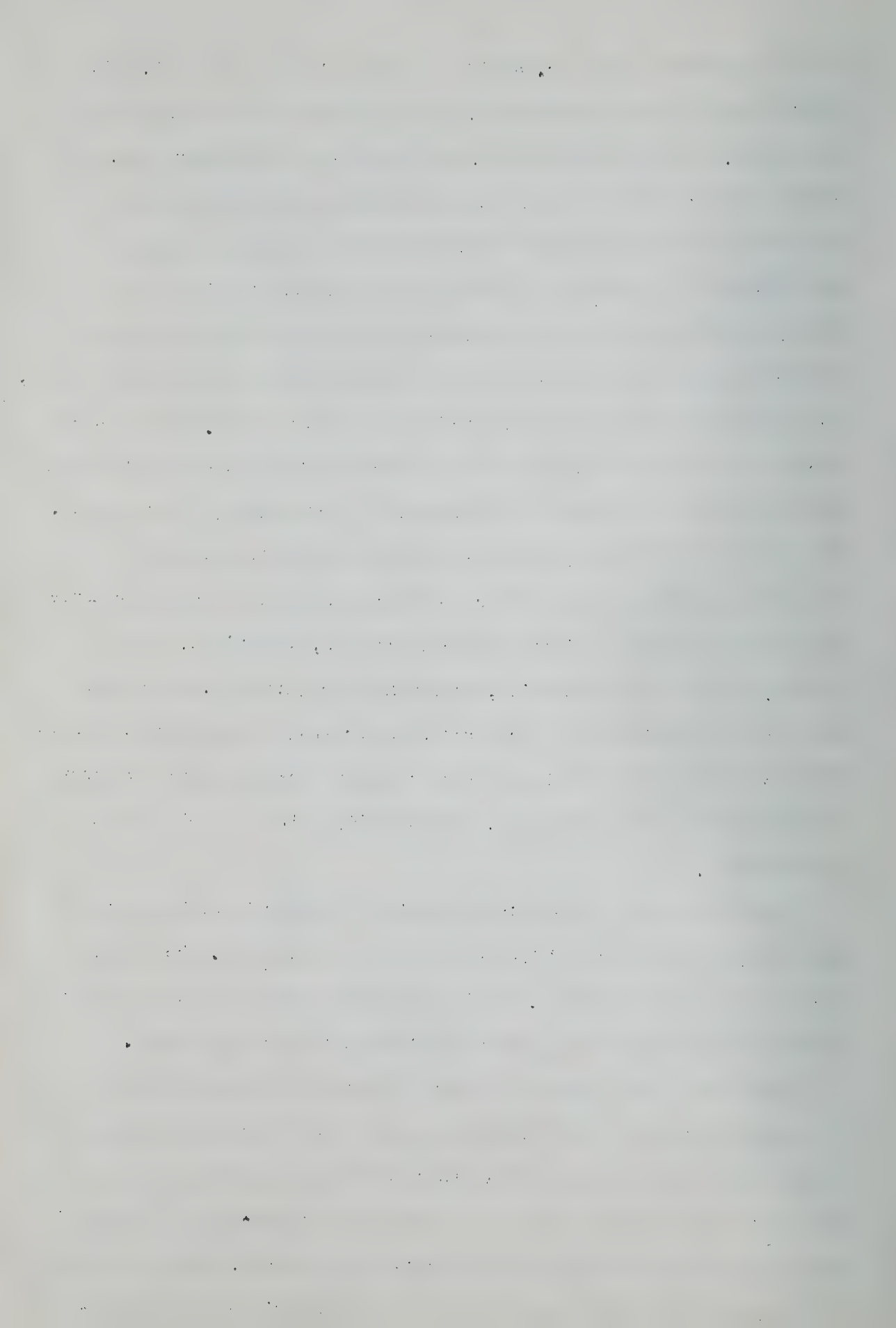
Mr. Smith has expressed most forcibly the seriousness of those associated with the administration of the universities being able to decide "the propriety of sowing and the presumption of harvest". If university budgets could be administered by all wise individuals, there would be a careful appraisal of the presumption that there would be a harvest whenever the public funds were expended, but we all know that appropriations are frequently made as has been done by the Purnell bill, which appropriated a large amount of money for agricultural experimental work, this amount of money having no relationship to the size of the states, their past achievement in this experimental work, their present need nor the ability of the state to carry on this work. If I am correctly informed, experiments and research at the Mellon Institute at Pittsburgh are continued only so long as there is a reasonable presumption that the expenditure is justified. Our states would be fortunate if our universities could approximate this condition.

Those who are opposed to unit costs in our universities and the use of this information in determining budget and educational policies

should be impressed with Mr. Smith's reference to the fact that: "The little fingers of some men carry more weight than other much more imposing bulks". It is a sad admission, but nevertheless a truthful one, that "little fingers" do carry some weight in educational affairs. This being true, should any one doubt the advisability of giving weight to such factors as the number of students, the relative enrollment in junior and senior colleges, enrollment in laboratory as compared with lecture courses, the ability of a member of the staff to inspire and teach, or some adequate measure of research that is worthy of the name? One of our most distinguished scholars at the University of Minnesota frequently refers to much that is called research as the mere making of "mud pies". Some one of broad vision, fair mindedness and toleration for all educational work must pass judgment on the question as to how much money shall be expended in a mines experiment station, a hospital, a soils survey, a department of physics, experimental engineering, but he must also be able to discover the dry rot that soon makes a once proud department no longer worthy of the great sums of money expended upon it because of the mediocrity that has come, imperceptibly with the letting down of standards.

There are certain rules in the making of a budget which are quite apparent. All estimates of income should be conservative. There should always be a contingent fund. Allotments to departments should be liberal whenever the department has shown itself worthy of encouragement.

I have been much interested in the arguments of many advocates of the general property tax who believe that it will solve their educational needs. A generation ago, the University of Minnesota thought that it had solved its financial requirements by reason of the adoption of a 23/100 of a mill tax on all the general property of the state. It seemed reasonable to suppose that there would be some relationship between the in-



creased value of the property subject to the general property tax and the increased needs of the institution, but it was soon found that with each succeeding session of the legislature, it was necessary to ask for an additional appropriation over and above the millage tax. The assessment laws were then changed so as to reduce the total amount of property subject to the general property tax. Railroads and other corporations were made subject to a gross earnings tax. There was a great decline in land values. Automobiles and trucks were removed from the general property tax. The result has been that the income from the 23/100 of a mill tax has actually declined instead of increasing in recent years. If Minnesota had been operating under a general property tax during the past decade, the University would have suffered greatly under a fixed millage tax. The University receives an appropriation for the next biennium of \$3,200,000 annually for operating purposes. In addition it receives the income from the millage tax. Many members of the legislature are more willing to approve of a large appropriation for the University when they know that this money comes out of money in the treasury received from gross earnings and other taxes upon corporations. The 23/100 of a mill tax which appears on the printed tax statement of each property holder receives more attention from the average tax payer than does the main appropriation which is paid indirectly. I know of no system of providing money by taxation which is best for all of the states. Some one familiar with the taxation system of each state must pass judgment, but I am reasonably certain that the general property tax is no cure-all as a system of providing funds for state universities.

In considering the income in the making of a university budget the receipts from farms, hospitals, laboratories and other producing units must be considered with special reference to placing a premium on the proper collection of all possible receipts. For example, a professor in

charge of a laboratory found that a valuable instrument had been seriously damaged through the gross negligence of a student. Before attempting to collect the money from the student, he telephoned me to find out what would be done with the money. When I assured him that the money, if collected, would be credited to the supply budget of his department, he promptly took steps to collect the money. By experience we have found that a department is very willing to take the responsibility of collecting funds which should be collected when the department receives the benefit of such funds, whereas the department may make little or no effort to collect receipts if they receive no benefit from the collection. In departments such as Horticulture where a favorable crop may entail an unusual expenditure of labor in its harvest, adjustments must be made so that the ordinary labor budget of the department will not be exhausted in harvesting the crop, the proceeds of which will be credited to the general university budget. Without losing sight of the fact that the purpose of all educational activities is education rather than financial returns, the administrators of any institution must make every reasonable effort to collect revenue when it is within their grasp.

All budgets must take into consideration the increased operation cost which accompanies the construction of new buildings. Those of you that have seen the pamphlet published by the University of Chicago in its present endowment campaign will recall that no building is to be constructed until an endowment has been obtained for its maintenance and operation. All state universities that seek new buildings and comprehensive building plans should do so only in case they will be able to properly maintain and operate these buildings when constructed.

I have sometimes wondered whether budgets are not frequently made on the basis referred to by Mr. Smith in relating the intelligent voting

of a member of the Board of Trustees who had a system of voting "No" on every third item. Have we really used any more intelligence in our supply and equipment budgets? I believe it has been the common experience of most institutions that supply and equipment budgets were increased during the high prices of 1919 and 1921 and the great increase in students at that time, but how many of these budgets have been revised downward with the decline in prices, and the acquiring of equipment which, once provided for the great increase in student body, was not needed in equal amounts when the student body had become practically stable in number.

A university budget after all is merely a means; the purpose is that those whose duty it is to decide may have the funds to use in those places where they believe there is a presumption of a real harvest. When we realize the high hopes of the parents, tax payers, and students and what the annual budget of a university really costs, it is a privilege to share in the responsibility of the formulation and administration of a university budget.

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